

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Greenville	County Montcalm
Fiscal Year End June 30, 2006	Opinion Date November 10, 2006	Date Audit Report Submitted to Sate December 28, 2006	

We affirm that:

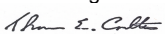
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-----|-------------------------------------|-------------------------------------|---|
| 1. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| 2. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| 3. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| 4. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has adopted a budget for all required funds. |
| 5. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | A public hearing on the budget was held in accordance with State statute. |
| 6. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| 7. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| 8. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit only holds deposits/investments that comply with statutory requirements. |
| 9. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| 10. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| 11. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | The local unit is free of repeated comments from previous years. |
| 12. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The audit opinion is UNQUALIFIED. |
| 13. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| 14. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute. |
| 15. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Single Audit	
Certified Public Accountant (Firm Name) Yeo & Yeo CPAs, P.C.		Telephone Number (989) 463-6108	
Street Address 7810 N. Alger Rd.		City Alma	State MI
Authorizing CPA Signature 		License Number 1612544	

City of Greenville
Montcalm County, Michigan
Annual Financial Statements
and
Auditors' Report
June 30, 2006

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City of Greenville
List of Elected and Appointed Officials
June 30, 2006

City Council

Lloyd Walker – Mayor

Kenneth Snow – Mayor Pro-Tem

Mark Lehman – Council Member

Jeanne Cunliffe – Council Member

Joyce London – Council Member

Lloyd Scoby – Council Member

John Hoppough – Council Member

Other Officers and Officials

George Bosanic – City Manager

Bryan Gruesbeck – Assistant City Manager

Bradley Hool – City Clerk/Treasurer



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Independent Auditors' Report

To the Honorable Mayor and Members of the City Council
City of Greenville
Greenville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Greenville as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Greenville as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated on our consideration of the City of Greenville internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The managements' discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Greenville's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

November 10, 2006
Saginaw, Michigan

City of Greenville
Managements' Discussion and Analysis

The following is a discussion and analysis of City of Greenville's (the City's) financial performance and position, providing an overview of the activities for the year ended June 30, 2006. This analysis should be read in conjunction with the *Independent Auditors Report* and with the City's financial statements, which follow this section. 2005/2006 represents the third year the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments - Omnibus* and Statement No. 38 *Certain Financial Statement Note Disclosures*. This discussion and analysis provides comparisons with the previous year as required by GASB.

FINANCIAL HIGHLIGHTS

Government -wide:

- Total net assets were \$38,079,501 (excluding component units). An increase of 3.9% over the previous year total of \$36,650,572.
- Governmental activities net assets were \$26,381,942. An increase of 5.9% over the previous year total of \$24,928,892.
- Business-type activity net assets were \$11,697,559. A decrease of .3% over the previous year total of \$11,721,680.
- Component Unit net assets were \$641,770. An increase of 47.4% over the previous years total of \$435,666.

Fund Level:

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$4,754,149 with \$754,899 being reserved, designated, or otherwise earmarked for specific purposes.
- The General Fund's budgeted revenue excess was \$214,303 due to fees received for engineering and administrative cost on capital projects.
- Overall, the General Fund balance increased by \$131,633 to \$724,500 – with \$601,512 being undesignated and available for general purposes.

Capital and Long-term Debt Activities:

- The primary government had two new debt issues for the fiscal year 2005/2006, in the amount of \$1,659,324 and a one new debt issue of \$150,000 for DDA parking lot development. The two new debt issues for the primary government are \$648,500 for a new fire truck and \$1,010,824 for industrial park land.
- The total long-term debt for the primary government is \$3,176,755 with a net increase of \$1,505,725 from the prior year.
- The City remains well below its authorized legal debt limit.
- The total additions to the capital asset schedule for the primary government was \$4,183,000 comprised of additions to the water and sewer systems, new computers, motor pool equipment, street improvements and industrial park improvements.

City of Greenville
Managements' Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's annual financial report. The annual financial report of the City consists of the following components: 1) *Independent Auditors Report*; 2) *Managements' Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all non-major governmental funds and other funds and other financial data.

Government-wide Financial Statements (Reporting the City as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the City as a whole, and about its activities. Their purpose is to assist in answering the question, is the City, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 4-1 and 4-2) presents all of the City's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the City's financial position is improving or deteriorating.

The Statement of Activities (page 4-3) presents information showing how the City's net assets changed during 2005/2006. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- ***Governmental Activities*** - Most of the City's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the City's general government departments, law enforcement, economic development, city improvements, street improvements, recreation activities, and other City wide elected official operations and blended component units are reported under these activities.
- ***Business-type Activities*** - These activities operate like private businesses. The City charges fees to recover the cost of the services provided. The Water System Fund and the Sewer System Fund are examples of these activities.
- ***Discretely Presented Component Units*** - Discretely Presented Component units are legally separate organizations for which the City Council and Administration appoints a majority of the organization's policy board and there is a degree of financial accountability to the City. Four authorities are included as a discretely presented component units: the Downtown Development Authority, the Economic Development Corporation, the Local Development Finance Authority, and the Tax Increment Finance Authority. Any remaining component units are blended into the primary government governmental activities as required.

City of Greenville **Managements' Discussion and Analysis**

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period, expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 4-6 and 4-9 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental fund. Capital assets and depreciation expense are reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.
- Long-term liabilities, such as amounts accrued for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Long-term debt proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the City's general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

Fund Financial Statements (Reporting the City's Major Funds)

The fund financial statements, which begin on page 4-4, provide information on the City's significant (major) funds, and aggregated non-major funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for City of Greenville include the General Fund, the Major Street Fund, the Local Street Fund, the Industrial Park Fund, the Special Assessment Fund, the Capital Improvement Fund, the Sewer Fund, and the Water Fund. All other funds are classified as non-major funds and are reported in aggregate by the applicable fund type. The City includes detailed information on its non-major funds in the other supplementary information section of this report.

City of Greenville

Managements' Discussion and Analysis

The City's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

- ***Governmental Funds*** - Most of the City's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).
- ***Proprietary Funds*** - Services for which the City charges customers (whether outside the City structure or a City department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Sewer System Fund. *Internal Service funds* report activities that provide supplies or service to the City's other operations, such as the Motor Pool Fund. Internal Service funds are reported as governmental activities on the government-wide statements.
- ***Fiduciary Funds*** - The City acts as a trustee or fiduciary in certain instances. It is also responsible for other assets that, because of trust arrangements, can only be used for the trust beneficiaries. The City's fiduciary activities are reported in the separate Statement of Net Assets on page 4-16. These funds, which include trust and agency funds, are reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the City to fund its operations.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 4-19 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue funds.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds, except for the fiduciary funds, are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

City of Greenville
Managements' Discussion and Analysis

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As previously stated, City of Greenville's combined net assets were \$38,079,501 at the end of this fiscal year's operations. The net assets of the governmental activities were \$26,381,942; the business type activities were \$11,697,559.

Net Assets as of June 30, 2006

	Governmental Activities		Business Type Activities		Total Primary Government		Percent Change
	2005	2006	2005	2006	2005	2006	
Current Assets	\$ 8,312,209	\$ 9,133,242	\$ 2,818,413	\$ 3,062,314	\$ 11,130,622	\$ 12,195,556	9.6
Noncurrent Assets	<u>19,648,563</u>	<u>21,781,074</u>	<u>9,802,270</u>	<u>9,854,326</u>	<u>29,451,283</u>	<u>31,635,400</u>	7.5
Total Assets	<u>\$ 27,960,772</u>	<u>\$ 30,914,316</u>	<u>\$ 12,621,133</u>	<u>\$ 12,916,640</u>	<u>\$ 40,581,905</u>	<u>\$ 43,830,956</u>	<u>8.1</u>
Current Liabilities	2,095,850	2,143,350	164,453	714,081	2,260,303	2,857,431	26.5
Noncurrent Liabilities	<u>936,030</u>	<u>2,389,024</u>	<u>735,000</u>	<u>505,000</u>	<u>1,671,030</u>	<u>2,894,024</u>	73.2
Total Liabilities	<u>\$ 3,031,880</u>	<u>\$ 4,532,374</u>	<u>\$ 899,453</u>	<u>\$ 1,219,081</u>	<u>\$ 3,931,333</u>	<u>\$ 5,751,455</u>	<u>46.3</u>
Net Assets							
Invested in Capital Assets (Net of related debt)	18,712,533	19,761,905	9,067,720	9,224,326	27,780,253	28,458,645	2.5
Restricted	11,404	621,911	993,185	1,323,172	1,004,589	1,456,396	45.0
Unrestricted	<u>6,204,955</u>	<u>5,998,126</u>	<u>1,660,775</u>	<u>1,150,061</u>	<u>7,865,730</u>	<u>7,542,785</u>	(4.2)
Total Net Assets	<u>\$ 24,928,892</u>	<u>\$ 26,381,942</u>	<u>\$ 11,721,680</u>	<u>\$ 11,697,559</u>	<u>\$ 36,650,572</u>	<u>\$ 38,079,501</u>	<u>3.9</u>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City's primary government net assets changed during the fiscal year:

City of Greenville
Managements' Discussion and Analysis

Changes in Net Assets for the Fiscal Year Ending June 30, 2006

	<u>Governmental</u> <u>Activities</u>		<u>Business Type</u> <u>Activities</u>		<u>Totals</u>		<u>Percent</u> <u>Change</u>
	2005	2006	2005	2006	2005	2006	
Revenues							
Program Revenues							
Charges for Services	\$1,261,515	\$925,361	\$1,745,335	\$1,725,553	\$3,006,850	\$2,650,914	(11.9)
Grants and Contributions	1,512,292	2,263,364	316,266	268,978	1,828,558	2,532,342	38.5
General Revenues							
Property Taxes	2,078,899	2,712,561	57,442	49,783	2,136,341	2,762,344	29.4
State Shared Revenue	1,381,467	1,366,850	-	-	1,381,467	1,366,850	(1.1)
Investment Earnings	254,159	255,250	72,326	50,824	326,485	306,074	(6.3)
Transfers	478,913	125,456	(478,913)	(125,456)	-	-	-
Gain on sale of Assets	426,234	373,820	-	-	426,234	373,820	(12.3)
Miscellaneous	<u>882,875</u>	<u>516,936</u>	<u>33,492</u>	<u>10,479</u>	<u>916,367</u>	<u>527,415</u>	(42.5)
Total Revenues	<u>8,276,354</u>	<u>8,539,598</u>	<u>1,745,948</u>	<u>1,980,161</u>	<u>10,022,302</u>	<u>10,519,759</u>	<u>5.2</u>

City of Greenville
Managements' Discussion and Analysis

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Totals</u>		<u>Percent Change</u>
	2005	2006	2005	2006	2005	2006	
Expenses							
General Government	\$1,719,999	\$2,227,671	\$.	\$1,719,999	\$2,227,671	29.5
Public Safety	1,945,093	1,732,080	.	.	1,945,093	1,732,080	(11.0)
Public Works	2,313,170	2,257,659	.	.	2,313,170	2,257,659	(2.4)
Community and Econ. Dev.	639,395	293,525	.	.	639,395	293,525	(54.1)
Recreation and Cultural	413,757	556,157	.	.	413,757	556,157	34.4
Interest on Long Term Debt	47,097	19,456	.	.	47,097	19,456	(58.7)
Other			621,748	666,166	621,748	666,166	7.1
Water and Sewer Operations			<u>1,281,952</u>	<u>1,338,116</u>	<u>1,281,952</u>	<u>1,338,116</u>	4.4
Total Expenses	<u>7,078,511</u>	<u>7,086,548</u>	<u>1,903,700</u>	<u>2,004,282</u>	<u>8,982,211</u>	<u>9,090,830</u>	<u>1.2</u>
 Increase in Net Assets	 1,197,843	 1,453,050	 (157,752)	 (14,370)	 1,040,091	 1,428,929	 37.4
Net Assets - Beginning	23,731,049	24,928,892	11,879,432	11,721,680	35,610,481	36,650,572	2.9
Net Assets – Ending	<u>\$ 24,928,892</u>	<u>26,381,942</u>	<u>\$ 11,721,680</u>	<u>11,697,559</u>	<u>\$36,650,572</u>	<u>\$38,079,501</u>	<u>3.9</u>

Governmental Activities:

The result of 2005/2006 governmental activity was an increase of \$1,453,050 in net assets to \$26,381,942 . Of the total governmental activities' net assets, \$19,761,905 is invested in capital assets less related debt, \$621,911 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the City government. The balance of \$5,998,126 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories were property taxes at 31.8%, capital grants and contributions at 26.0%, and state shared revenue at 16.0%. Property taxes are the largest source of governmental activity revenue. The City levied five property tax millages for the year ended June 30, 2006, one being for general government operations at 9.04 mills, which is not assigned to any particular activity, one for City Public Improvements at 2.17 mills, one for Solid Waste Collection at .9073 mills, one for Local Street Operations at .77 mills and one for Transit Operations at .25 mills. Charges for services, which reimburse the City for specific activities, are the third largest source of governmental activity revenue. Examples include rentals, recreation fees, fire protection, and permits.

City of Greenville
Managements' Discussion and Analysis

Expenses:

Public works is the largest governmental activity, expending approximately 31.9% of the governmental activities total and includes the Public Works department as well as public street maintenance and improvement activities. General Government is the second largest area, expending approximately 31.4% of the governmental activities total.

Business -type Activities:

Net assets in business-type activities decreased by \$24,121 to \$11,697,559 during 2005/2006. Of the business-type activities' net assets, \$9,224,326 is invested in capital assets less related debt and \$1,323,172 is restricted. The balance of \$1,150,061 is listed as unrestricted, having no legal commitment.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR AND NON MAJOR FUNDS

As the City completed 2005/2006, its governmental funds reported *combined* fund balances of \$4,754,149. This is a net increase of \$156,986. The net changes are summarized in the following charts A and B.

Chart A

	General Fund	Major Street Fund	Local Street Fund	Industrial Park Fund
Fund Balance 06/30/05	\$ 592,867	\$ 955,179	\$ 444,427	\$ -
Fund Balance 06/30/06	\$ 724,500	\$ 936,115	\$ 440,472	\$ 508,984
Net Change	\$ 131,633	\$ (19,064)	\$ (3,955)	\$ 508,984

City of Greenville
Managements' Discussion and Analysis

Chart B

	Special Assessment Fund	Capital Improve. Fund	Other Non Major Government Funds	Totals
Fund Balance 06/30/05	\$ 50,155	\$ 961,731	\$1,592,804	\$ 4,597,163
Fund Balance 06/30/06	\$ 31,339	\$ 458,695	\$ 1,654,044	\$4,754,149
Net Change	\$ (18,816)	\$ (503,036)	\$ 61,240	\$ 156,986

General Fund:

- The General Fund is the chief operating fund of the City. Unless otherwise required by statute, contractual agreement or Board policy, all City revenues and expenditures are recorded in the General Fund. As of June 30, 2006, the General Fund reported a fund balance of \$724,500. This amount is an increase of \$131,633 from the fund balance of \$592,867 reported as of June 30, 2005. The 2005/2006 amended budget called for a \$133,965 use of fund balance. Of the entire fund balance \$122,988 is reported as being reserved, designated, or otherwise earmarked for specific purposes.

The General Fund 2005/2006 revenues exceeded 2005/2006 expenditures by \$131,633. The General Fund also supports the operations of other funds including the Community Center Fund, Debt Retirement Fund, Dental & Vision Fund, Health & Life Fund, Motor Pool Fund, Parking Fund, Recreation Fund, and Water Funds. These particular funds collectively received \$1,071,754 in support from the General Fund.

General Fund Budgetary Highlights:

The City of Greenville's budget is a dynamic document. Although adopted in June (prior to the start of the year), the budget is amended during the course of the year to reflect changing operational demands.

Actual General Fund revenue and other financing sources totaled \$4,680,233, \$214,303 above the final amended budget, or a 5% increase over budget.

City of Greenville
Managements' Discussion and Analysis

The City's expenditure budget was increased by \$133,965 or 3 percent above the original budget during 2005/2006. This increase was to pay the cost of an assessing contract, public safety operations, public improvements and retirement benefits.

Actual City expenditures for 2005/2006 were \$131,633 below the final amended budget. This is due to cost reductions achieved by General Government Departments implementing cost reduction directives.

Major Streets Fund:

As of June 30, 2006, the Major Streets Fund reported a fund balance of \$936,115, a decrease of \$19,064 from the prior year. The total fund balance is undesignated/unreserved. Actual Major street revenue and other financing sources totaled \$472,817, \$27,183 below final amended budget less projected use of Fund Balance. The variations in individual revenue accounts reflect the tightening state economy, and intergovernmental revenue sharing.

Actual expenditures for 2005/2006 were \$300,154 below the final amended budget. This is due to several reasons including:

- \$210,396 less than planned expenditures for Capital Improvements.
- \$39,787 less than planned expenditures in the Winter Maintenance.
- \$77,154 less than planned expenditures in General Street Maintenance.

Local Streets Fund:

As of June 30, 2006, the Local Streets Fund reported a fund balance of \$440,472, a decrease of \$3,955 from the prior year. The total fund balance is undesignated/unreserved. Actual Local street revenue and other financing sources totaled \$397,473, \$6,872 above the final amended budget less projected use of Fund Balance. The variations in individual revenue accounts reflect the tightening state economy, intergovernmental revenue sharing and better than project investment returns.

Actual expenditures for 2005/2006 were \$129,973 below the final amended budget. This is due to less than planned expenditures in General Street Maintenance and Capital Improvements.

Industrial Park Fund:

As of June 30, 2006, the Industrial Park Fund reported a fund balance \$ 508,984 which is an increase of \$508,984 from the prior year. The increase resulted from a land sale to an industrial tenant in the new Industrial Park. The total fund balance is undesignated/unreserved and proposed to be used for future park improvements.

City of Greenville
Managements' Discussion and Analysis

Special Assessment Fund:

As of June 30, 2006, the Special Assessment Fund reported a fund balance \$31,339, which is a decrease of \$18,816 from the prior year. The total fund balance is undesignated/unreserved.

Capital Improvement Fund:

As of June 30, 2006, the Capital Improvement Fund reported a fund balance \$458,695, which is a decrease of \$503,036 from the prior year. The total fund balance is undesignated/unreserved.

This Fund functions as a clearing fund for all capital projects, and as such the Fund Balance will vary as projects can be undertaken over multiple years.

As the City completed 2005/2006, its business type activities funds reported *combined* fund balances of \$11,640,390. This is a net decrease of \$40,869. The net changes are summarized in the following chart C.

Chart C

	Sewer Fund	Water Fund	Non Major Enterprise Funds	Totals
Net Assets 06/30/05	\$ 7,401,273	\$ 3,331,566	\$ 948,420	\$ 11,681,259
Net Assets 06/30/06	\$ 7,289,653	\$ 3,485,123	\$ 865,614	\$ 11,640,390
Net Change	\$ (111,620)	\$ 153,557	\$ (82,806)	\$ (40,869)

City of Greenville
Managements' Discussion and Analysis

Sewer Fund:

As of June 30, 2006, the Sewer Fund reported net assets of \$7,289,653, a decrease of \$111,620 from the prior year, due to capital improvements. Of the entire net assets \$1,323,172 is reserved, designated, or otherwise earmarked for specific purposes.

Water Fund:

As of June 30, 2006, the Water Fund reported net assets of \$3,485,123, an increase of \$153,557 from the prior year. The total net assets is undesignated/unreserved

The \$153,557 increase in net assets was due in large from transfers from the General Fund and the Capital Improvements Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2005/2006, the City had invested \$31,635,400 for the primary government and \$6,081,302 for the component units, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$21,754,864 for the primary government and \$391,972 for the component units. Depreciation charges for the fiscal year totaled \$1,233,883 for the primary government and \$157,031 for the component units. Additional information related to capital assets is detailed in Note 5 of the Financial Statements. Net Book value of capital assets at June 30, 2006 was as follows:

	Governmental Activities	Business - type Activities	Component Unit DDA	Total
Land	\$ 3,358,838	\$ 387,066	\$ 192,044	\$ 3,937,948
Construction in Progress	1,916,126	299,310	-	2,215,436
Land Improvements, Net	1,407,907	231,332	-	1,639,239
Infrastructure, net	12,475,996	-	5,889,258	18,365,254
Buildings, net	1,417,898	3,094,952	-	4,512,850
Vehicles	864,799	195,393	-	1,060,192
Machinery and equipment, net	339,510	510,968	-	850,478
Sewer system, net	-	1,783,953	-	1,783,953
Water system, net	-	3,351,352	-	3,351,352
 Capital assets, net	 <u>\$ 21,781,074</u>	 <u>\$ 9,854,326</u>	 <u>\$ 6,081,302</u>	 <u>\$ 37,716,702</u>

City of Greenville
Managements' Discussion and Analysis

Long-term Debt - As of June 30, 2006, the City had \$3,176,755 in loans outstanding for the primary government. This level of net obligation is \$1,505,725 more than the obligations recorded as of June 30, 2005.

Outstanding Debt as of June 30, 2006:

Primary Government	<u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2006</u>
Governmental Activities				
General Obligation Bonds	\$ 150,000	\$ -	\$ 30,000	\$ 120,000
Special Assessment Bonds	255,000	-	50,000	205,000
Contract Payable	45,399	1,659,324	10,554	1,694,169
Compensated Absences	485,631	41,955	-	527,586
Business-type Activities				
General Obligation Bonds	735,000	-	105,000	630,000
Total Primary Government	\$ 1,671,030	\$ 1,701,279	\$ 195,554	\$ 3,176,755
Component Unit				
General Obligation Bonds	4,545,000	-	120,000	4,425,000
Tax Increment Bonds	325,000	-	70,000	255,000
Installment Purchase	<u>980,568</u>	<u>150,000</u>	<u>38,878</u>	<u>1,091,690</u>
Total Component Unit	\$ 5,850,568	\$ 150,000	\$ 228,878	\$ 5,771,690
Total Reporting Entity	\$ 7,521,598	\$ 1,851,279	\$ 424,432	\$ 8,948,445

City of Greenville
Managements' Discussion and Analysis

Activity for the Component Units during 2005/2006 included the payment of \$228,878 for debt retirement.

A more detailed discussion of the City's long-term debt obligations is presented in Note 8 to the financial statements.

CITY OF GREENVILLE GOVERNMENT ECONOMIC OUTLOOK:

- State revenue sharing has declined nearly \$400,000 over the past seven years, and may face additional cuts due to state budget concerns.
- Property tax revenue has not kept pace with inflation.
- The City has had its major employer close its manufacturing facility in fiscal 2006. This would result in up to a 30% loss in the City's tax base for the fiscal 2007 budget.
- Investment earnings are at higher levels than the past two years which will provide some revenue loss offsets.
- Health and dental insurance premiums are rising much faster than the rate of inflation.
- Retirement costs are increasing due to poor stock market performance over the last several years.
- Utility costs are rising faster than the rate of inflation.
- Hazard/Liability Insurance costs are rising faster than the rate of inflation.

These factors were considered in adopting the Budget for 2006/2007. The fiscal 2007 budget was adopted without drawing from the City's fund balance to balance the General Fund Budget, as the City continues to look for ways to increase efficiencies and reduce the cost of doing business.

CONTACTING THE TREASURER

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the City of Greenville's Treasurer's Office at (616) 754-5645.

City of Greenville
Statement of Net Assets
June 30, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 5,152,540	\$ 1,164,038	\$ 6,316,578	\$ 278,891
Investments	2,038,406	-	2,038,406	-
Receivables				
Taxes	196,466	-	196,466	-
Customers	237,081	387,778	624,859	-
Special assessments	254,125	-	254,125	-
Accrued interest and other	38,963	13,995	52,958	-
Due from other units of government	1,125,934	20,489	1,146,423	1,183
Internal balances	(109,684)	109,684	-	-
Due from fiduciary funds	-	-	-	327,806
Due from component unit	66,423	-	66,423	-
Inventories	60,231	43,158	103,389	-
Prepaid items	72,757	-	72,757	-
Restricted assets				
Investments	-	1,323,172	1,323,172	-
Non-depreciable capital assets	5,274,964	686,376	5,961,340	192,044
Depreciable capital assets, net	16,506,110	9,167,950	25,674,060	5,889,258
Total assets	<u>30,914,316</u>	<u>12,916,640</u>	<u>43,830,956</u>	<u>6,689,182</u>
Liabilities				
Accounts payable	1,753,620	552,684	2,306,304	136,567
Accrued and other liabilities	99,597	32,643	132,240	72,732
Due to component unit	1,147	-	1,147	-
Due to other units of government	131,255	-	131,255	66,423
Deferred revenue	-	3,754	3,754	-
Noncurrent liabilities				
Due within one year	157,731	125,000	282,731	1,188,859
Due in more than one year	2,389,024	505,000	2,894,024	4,582,831
Total liabilities	<u>4,532,374</u>	<u>1,219,081</u>	<u>5,751,455</u>	<u>6,047,412</u>

See Accompanying Notes to Financial Statements

City of Greenville
Statement of Net Assets
June 30, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Assets				
Invested in capital assets, net of related debt	19,761,905	9,224,326	28,986,231	117,568
Restricted for:				
Debt service	236	-	236	-
Bond reserves	-	1,323,172	1,323,172	-
Capital projects	408,053	-	408,053	-
Perpetual care	213,622	-	213,622	-
Unrestricted	5,998,126	1,150,061	7,148,187	524,202
 Total net assets	 <u>\$ 26,381,942</u>	 <u>\$ 11,697,559</u>	 <u>\$ 38,079,501</u>	 <u>\$ 641,770</u>

See Accompanying Notes to Financial Statements

City of Greenville
Statement of Activities
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 2,227,671	\$ 87,501	\$ -	\$ -	\$ (2,140,170)	\$ -	\$ (2,140,170)	\$ -
Public safety	1,732,080	107,297	32,792	-	(1,591,991)	-	(1,591,991)	-
Public works	2,257,659	664,798	-	535,864	(1,056,997)	-	(1,056,997)	-
Community and economic development	293,525	-	-	1,682,558	1,389,033	-	1,389,033	-
Recreation and culture	556,157	65,765	12,150	-	(478,242)	-	(478,242)	-
Interest on long-term debt	19,456	-	-	-	(19,456)	-	(19,456)	-
Total governmental activities	7,086,548	925,361	44,942	2,218,422	(3,897,823)	-	(3,897,823)	-
Business-type activities								
Sewer	793,655	890,398	-	-	-	96,743	96,743	-
Water	544,461	599,559	-	-	-	55,098	55,098	-
Other	666,166	235,596	268,978	-	-	(161,592)	(161,592)	-
Total business-type activities	2,004,282	1,725,553	268,978	-	-	(9,751)	(9,751)	-
Total primary government	\$ 9,090,830	\$ 2,650,914	\$ 313,920	\$ 2,218,422	(3,897,823)	(9,751)	(3,907,574)	-
Component unit								
Downtown Development Authority	415,299	-	-	-	-	-	-	(415,299)
Tax increment financing authority	164,001	-	-	-	-	-	-	(164,001)
Local development finance authority	59,626	-	-	-	-	-	-	(59,626)
Total component unit	\$ 638,926	-	-	-	-	-	-	(638,926)
General revenues								
Property taxes					2,712,561	49,783	2,762,344	840,855
State shared revenue					1,366,850	-	1,366,850	-
Unrestricted investment earnings					255,250	50,824	306,074	3,923
Gain on sale of capital assets					373,820	-	373,820	-
Insurance recoveries					76,292	-	76,292	-
Miscellaneous					440,644	10,479	451,123	252
Transfers					125,456	(125,456)	-	-
Total general revenues and transfers					5,350,873	(14,370)	5,336,503	845,030
Change in net assets					1,453,050	(24,121)	1,428,929	206,104
Net assets - beginning of year					24,928,892	11,721,680	36,650,572	435,666
Net assets - end of year					\$ 26,381,942	\$ 11,697,559	\$ 38,079,501	\$ 641,770

See Accompanying Notes to Financial Statements

City of Greenville
Governmental Funds
Balance Sheet
June 30, 2006

		Special Revenue Funds				Capital Projects Fund		
	General	Major Street	Local Street	Industrial Park Development	Special Assessments	Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Assets								
Cash and cash equivalents	\$ 823,280	\$ 478,895	\$ 415,802	\$ 619,651	\$ 23,029	\$ 531,189	\$ 1,164,295	\$ 4,056,141
Investments	917,699	354,666	-	-	-	-	390,003	1,662,368
Receivables								
Taxes	196,466	-	-	-	-	-	-	196,466
Customers	81,744	3,204	-	-	-	-	148,304	233,252
Special assessments	477	-	-	-	253,647	-	-	254,124
Accrued interest and other	8,540	3,445	-	-	-	-	3,582	15,567
Due from other units of government	251,677	73,099	26,255	593,599	-	181,304	-	1,125,934
Due from other funds	21,329	28,746	-	-	-	-	-	50,075
Due from component unit	58,113	-	-	-	8,310	-	-	66,423
Inventories	60,231	-	-	-	-	-	-	60,231
Prepaid items	62,757	-	-	-	-	-	10,000	72,757
Total assets	\$ 2,482,313	\$ 942,055	\$ 442,057	\$ 1,213,250	\$ 284,986	\$ 712,493	\$ 1,716,184	\$ 7,793,338

See Accompanying Notes to Financial Statements

City of Greenville
Governmental Funds
Balance Sheet
June 30, 2006

	Special Revenue Funds					Capital Projects Fund		
	General	Major Street	Local Street	Industrial Park Development	Special Assessments	Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities								
Accounts payable	1,489,649	5,940	1,585	110,667	-	17,297	55,381	1,680,519
Accrued and other liabilities	86,872	-	-	-	-	-	4,605	91,477
Due to other funds	-	-	-	-	-	81,261	2,154	83,415
Due to component unit	1,147	-	-	-	-	-	-	1,147
Due to other units of government	131,255	-	-	-	-	-	-	131,255
Deferred revenue	48,890	-	-	593,599	253,647	155,240	-	1,051,376
 Total liabilities	 1,757,813	 5,940	 1,585	 704,266	 253,647	 253,798	 62,140	 3,039,189
Fund Balances								
Reserved for:								
Debt service	-	-	-	-	-	-	236	236
Prepays and inventory	122,988	-	-	-	-	-	10,000	132,988
Capital projects	-	-	-	-	-	-	408,053	408,053
Perpetual care	-	-	-	-	-	-	213,622	213,622
Unreserved, reported in:								
General fund	601,512	-	-	-	-	-	-	601,512
Special revenue funds	-	936,115	440,472	508,984	31,339	-	1,022,133	2,939,043
Capital project funds	-	-	-	-	-	458,695	-	458,695
 Total fund balances	 724,500	 936,115	 440,472	 508,984	 31,339	 458,695	 1,654,044	 4,754,149
 Total liabilities and fund balances	 \$ 2,482,313	 \$ 942,055	 \$ 442,057	 \$ 1,213,250	 \$ 284,986	 \$ 712,493	 \$ 1,716,184	 \$ 7,793,338

City of Greenville
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
June 30, 2006

Total fund balances for governmental funds	\$ 4,754,149
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	21,434,425
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	1,051,376
Certain liabilities are not due and payable in the current period and are not reported in the funds. Accrued interest	(6,398)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	(2,019,169)
Internal service funds are included as part of governmental activities.	<u>1,167,559</u>
Net assets of governmental activities	<u><u>\$ 26,381,942</u></u>

City of Greenville
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2006

	Special Revenue Funds				Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General	Major Street	Local Street	Industrial Park Development	Special Assessments	Capital Improvements	
Revenues							
Taxes	\$ 1,983,237	\$ -	\$ 118,953	\$ -	\$ -	\$ 428,410	\$ 2,710,480
Licenses and permits	32,910	-	-	-	-	-	34,360
Federal grants	-	-	-	933,719	-	181,622	1,115,341
State revenue sharing	784,535	423,304	159,011	-	-	-	1,366,850
Other state grants	32,792	51,689	-	-	-	302,553	399,184
Charges for services	155,278	-	-	-	-	-	851,152
Fines and forfeitures	36,545	-	-	-	-	-	39,849
Interest income	184,470	(2,176)	7,508	-	14,983	-	223,864
Rental income	43,537	-	-	-	-	-	134,303
Other revenue	243,692	-	-	-	64,924	-	351,863
Total revenues	3,496,996	472,817	285,472	933,719	79,907	912,585	7,227,246
Expenditures							
Current							
General government	826,821	-	-	-	-	-	826,821
Public safety	1,344,547	-	-	-	-	-	1,344,547
Public works	401,999	218,862	227,238	-	-	-	1,631,274
Community and economic development	110,376	-	-	-	-	-	110,376
Recreation and culture	66,996	-	-	-	-	-	275,016
Other functions	714,974	-	-	9,328	-	-	724,302
Capital outlay	11,133	-	-	2,556,978	-	1,131,384	4,347,995
Debt service	-	-	-	-	-	-	-
Principal retirement	-	-	-	-	80,000	-	90,554
Interest and fiscal charges	-	-	-	-	18,723	-	20,931
Total expenditures	3,476,846	218,862	227,238	2,566,306	98,723	1,131,384	9,371,816
Excess (deficiency) of revenues over expenditures	20,150	253,955	58,234	(1,632,587)	(18,816)	(218,799)	(2,144,570)

See Accompanying Notes to Financial Statements

City of Greenville
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2006

	Special Revenue Funds					Capital Projects Fund		
	General	Major Street	Local Street	Industrial Park Development	Special Assessments	Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses)								
Transfers in	1,167,246	-	112,000	-	-	246,824	154,600	1,680,670
Transfers out	(1,071,754)	(273,019)	(174,189)	(8,073)	-	(591,362)	(135,153)	(2,253,550)
Insurance recoveries	15,991	-	-	-	-	60,301	-	76,292
Issuance of debt	-	-	-	1,010,824	-	-	648,500	1,659,324
Sale of fixed assets	-	-	-	1,138,820	-	-	-	1,138,820
Total other financing sources and uses	111,483	(273,019)	(62,189)	2,141,571	-	(284,237)	667,947	2,301,556
Net change in fund balance	131,633	(19,064)	(3,955)	508,984	(18,816)	(503,036)	61,240	156,986
Fund balance - beginning of year restated	592,867	955,179	444,427	-	50,155	961,731	1,592,804	4,597,163
Fund balance - end of year	\$ 724,500	\$ 936,115	\$ 440,472	\$ 508,984	\$ 31,339	\$ 458,695	\$ 1,654,044	\$ 4,754,149

City of Greenville
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2006

Net change in fund balances - Total governmental funds **\$ 156,986**

Total change in net assets reported for governmental activities in the statement of activities
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(757,000)
Capital outlay	3,671,518
Sale of capital assets	(765,000)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue
in the funds.

Special assessments	(45,522)
Grants	748,839
Property taxes	2,081

Expenses are recorded when incurred in the statement of activities

Accrued interest	1,475
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Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in
fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not
affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds
but reduces the liability in the statement of net assets.

Debt issued	(1,659,324)
Repayments of long-term debt	90,554

Internal service funds are also included as governmental activities	<u>8,443</u>
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Change in net assets of governmental activities	<u>\$ 1,453,050</u>
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City of Greenville
Proprietary Funds
Statement of Net Assets
June 30, 2006

	Enterprise Funds				
	Sewer	Water	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets					
Current assets					
Cash and cash equivalents	\$ 396,282	\$ 654,720	\$ 113,036	\$ 1,164,038	\$ 1,096,399
Investments	-	-	-	-	376,038
Receivables					
Customers	237,403	149,787	588	387,778	3,829
Accrued interest and other	13,995	-	-	13,995	4,222
Due from other units of government	-	-	20,489	20,489	-
Due from other funds	-	52,515	-	52,515	-
Inventories	-	43,158	-	43,158	-
Total current assets	647,680	900,180	134,113	1,681,973	1,480,488
Noncurrent assets					
Restricted assets					
Investments	1,323,172	-	-	1,323,172	-
Capital assets, net	6,275,204	2,720,084	859,038	9,854,326	346,649
Total noncurrent assets	7,598,376	2,720,084	859,038	11,177,498	346,649
Total assets	8,246,056	3,620,264	993,151	12,859,471	1,827,137
Liabilities					
Current liabilities					
Accounts payable	311,629	129,903	111,152	552,684	73,101
Accrued and other liabilities	14,774	5,238	12,631	32,643	1,722
Deferred revenue	-	-	3,754	3,754	-
Current portion of noncurrent liabilities	125,000	-	-	125,000	-
Total current liabilities	451,403	135,141	127,537	714,081	74,823

See Accompanying Notes to Financial Statements

City of Greenville
Proprietary Funds
Statement of Net Assets
June 30, 2006

	Enterprise Funds				Internal Service Funds
	Sewer	Water	Nonmajor Enterprise Funds	Total	
Noncurrent liabilities					
Compensated absences payable	-	-	-	-	527,586
Long-term debt net of current portion	505,000	-	-	505,000	-
Total noncurrent liabilities	505,000	-	-	505,000	527,586
Total liabilities	956,403	135,141	127,537	1,219,081	602,409
Net Assets					
Invested in capital assets, net of related debt	5,645,204	2,720,084	859,038	9,224,326	346,649
Restricted for:					
Bond reserve	1,323,172	-	-	1,323,172	-
Unrestricted	321,277	765,039	6,576	1,092,892	878,079
Total net assets	<u>\$ 7,289,653</u>	<u>\$ 3,485,123</u>	<u>\$ 865,614</u>	11,640,390	<u>\$ 1,224,728</u>
Some amounts reported for business-type activities in the statement of net assets are different because certain internal service funds assets and liabilities are reported with business-type activities				57,169	
Net assets of business-type activities				<u>\$ 11,697,559</u>	

See Accompanying Notes to Financial Statements

City of Greenville
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2006

	Enterprise Funds				
			Nonmajor		
	Sewer	Water	Enterprise Funds	Total	Internal Service Funds
Operating revenue					
Customer fees	\$ 890,398	\$ 599,559	\$ 234,238	\$ 1,724,195	\$ -
Rental income	-	-	1,358	1,358	363,804
Other revenue	797	1,352	8,321	10,470	98,227
	<u>891,195</u>	<u>600,911</u>	<u>243,917</u>	<u>1,736,023</u>	<u>462,031</u>
Operating expenses					
Personnel services	318,088	207,012	369,620	894,720	886,752
Supplies	55,416	81,132	136,095	272,643	83,722
Contractual services	48,129	20,371	18,311	86,811	-
Utilities	67,540	83,091	17,793	168,424	23,492
Repairs and maintenance	16,739	2,217	247	19,203	103,446
Other expenses	36,633	57,086	18,597	112,316	835
Capital outlay	1,284	5,267	145	6,696	2,551
Depreciation	206,788	89,647	104,297	400,732	76,151
	<u>750,617</u>	<u>545,823</u>	<u>665,105</u>	<u>1,961,545</u>	<u>1,176,949</u>
Total operating revenue					
	<u>891,195</u>	<u>600,911</u>	<u>243,917</u>	<u>1,736,023</u>	<u>462,031</u>
Total operating expenses					
	<u>750,617</u>	<u>545,823</u>	<u>665,105</u>	<u>1,961,545</u>	<u>1,176,949</u>
Operating income (loss)					
	<u>140,578</u>	<u>55,088</u>	<u>(421,188)</u>	<u>(225,522)</u>	<u>(714,918)</u>

See Accompanying Notes to Financial Statements

City of Greenville
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2006

	Enterprise Funds				
			Nonmajor		
	Sewer	Water	Enterprise Funds	Total	Internal Service Funds
Nonoperating revenue (expenses)					
Property taxes	-	-	49,783	49,783	-
Federal grant	-	-	33,415	33,415	-
State grant	-	-	218,063	218,063	-
Interest income	45,116	4,705	1,003	50,824	31,385
Loss on investments	-	-	-	-	(8,242)
Interest expense	(40,857)	-	-	(40,857)	-
Total nonoperating revenues	4,259	4,705	302,264	311,228	23,143
Income (loss) before contributions and transfers out	144,837	59,793	(118,924)	85,706	(691,775)
Local contributions	-	-	17,500	17,500	-
Transfers in	74,827	390,421	178,042	643,290	882,132
Transfers out	(331,284)	(296,657)	(159,424)	(787,365)	(165,177)
Change in net assets	(111,620)	153,557	(82,806)	(40,869)	25,180
Net assets - beginning of year	7,401,273	3,331,566	948,420		1,199,548
Net assets - end of year	<u>\$ 7,289,653</u>	<u>\$ 3,485,123</u>	<u>\$ 865,614</u>		<u>\$ 1,224,728</u>
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities				16,748	
Change in net assets of business-type activities				<u>\$ (24,121)</u>	

See Accompanying Notes to Financial Statements

City of Greenville
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds				Internal Service Funds
	Sewer	Water	Nonmajor Enterprise Funds	Total	
Cash flows from operating activities					
Receipts from customers	\$ 872,449	\$ 618,191	\$ 229,934	\$ 1,720,574	\$ 520,337
Payments to other funds	-	(125,476)	-	(125,476)	-
Payments to suppliers	32,805	(207,012)	(83,112)	(257,319)	(178,374)
Payments to employees	(318,088)	-	(369,620)	(687,708)	(886,752)
Net cash provided (used) by operating activities	587,166	285,703	(222,798)	650,071	(544,789)
Cash flows from noncapital financing activities					
Transfer from other funds	74,827	390,421	178,042	643,290	882,132
Transfers to other funds	(331,284)	(296,657)	(159,424)	(787,365)	(165,177)
Advances from other funds	-	-	17,500	17,500	-
Property taxes	-	-	49,563	49,563	-
Federal grant	-	-	33,415	33,415	-
State grant	-	-	218,063	218,063	-
Net cash provided (used) by noncapital financing activities	(256,457)	93,764	337,159	174,466	716,955
Cash flows from capital and related financing activities					
Proceeds from special assessments	-	-	220	220	-
Purchases/construction of capital assets	(74,827)	(377,511)	-	(452,338)	(59,144)
Principal and interest paid on long-term debt	(40,857)	-	-	(40,857)	-
Net cash provided (used) by capital and related financing activities	(115,684)	(377,511)	220	(492,975)	(59,144)

See Accompanying Notes to Financial Statements

City of Greenville
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds				Internal Service Funds
	Sewer	Water	Nonmajor Enterprise Funds	Total	
Cash flows from investing activities					
Proceeds from sales and maturities of investments	-	-	-	-	13,740
Purchases of investments	(434,987)	-	-	(434,987)	-
Interest received	45,116	4,705	1,003	50,824	31,385
Net cash provided (used) by investing activities	(389,871)	4,705	1,003	(384,163)	45,125
Net change in cash and cash equivalents	(174,846)	6,661	115,584	(52,601)	158,147
Cash and cash equivalents - beginning of year (deficit)	571,128	648,059	(2,548)	1,216,639	938,252
Cash and cash equivalents - end of year	<u>\$ 396,282</u>	<u>\$ 654,720</u>	<u>\$ 113,036</u>	<u>\$ 1,164,038</u>	<u>\$ 1,096,399</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 140,578	\$ 55,088	\$ (421,188)	\$ (225,522)	\$ (714,918)
Adjustments to reconcile operating income to net cash from operating activities					
Depreciation and amortization expense	206,788	89,647	104,297	400,732	76,151
Changes in assets and liabilities					
Receivables (net)	(18,746)	17,280	6,506	5,040	576
Due from other units of government	-	-	(20,489)	(20,489)	-
Due from component unit	-	(358)	-	(358)	-
Prepaid items	-	122,640	-	122,640	-
Accounts payable	257,887	1,406	106,320	365,613	51,192
Accrued and other liabilities	659	-	2,185	2,844	42,210
Deferred revenue	-	-	(429)	(429)	-
Net cash provided (used) by operating activities	<u>\$ 587,166</u>	<u>\$ 285,703</u>	<u>\$ (222,798)</u>	<u>\$ 650,071</u>	<u>\$ (544,789)</u>

See Accompanying Notes to Financial Statements

City of Greenville
Fiduciary Funds
Statement of Net Assets
June 30, 2006

	Agency Funds	Private Purpose Trust Fund
Assets		
Cash and cash equivalents	\$ 462,489	\$ 7,492
Investments	248,515	-
Receivables		
Taxes	6,673	-
Accrued interest and other	520	-
	<u>718,197</u>	<u>7,492</u>
Total assets	<u>\$ 718,197</u>	<u>\$ 7,492</u>
Liabilities		
Due to other funds	19,175	-
Due to component unit	327,806	-
Due to other units of government	371,216	-
	<u>718,197</u>	<u>-</u>
Total liabilities	<u>\$ 718,197</u>	<u>-</u>
Net Assets		
Held in trust for private purposes		<u>\$ 7,492</u>

City of Greenville
Fiduciary Funds
Statement of Changes in Net Assets
For the Year Ended June 30, 2006

	<u>Private Purpose Trust Fund</u>
Additions	
Contributions	\$ 3,000
Interest Earned	<u>82</u>
Total contributions	<u>3,082</u>
Deductions	
Capital Outlay	<u>1,102</u>
Change in net assets	1,980
Net assets - beginning of year	<u>5,512</u>
Net assets - end of year	<u>\$ 7,492</u>

City of Greenville
Component Unit Funds
Combining Statement of Net Assets
June 30, 2006

	<u>Downtown Development Authority</u>	<u>Tax Increment Finance Authority</u>	<u>Local Development Finance Authority</u>	<u>Economic Development Corporation</u>	<u>Total Component Units</u>
Assets					
Current assets					
Cash and cash equivalents	\$ 148,711	\$ 89,585	\$ 40,595	\$ -	\$ 278,891
Due from other units of government	38	-	-	1,147	1,185
Due from fiduciary funds	<u>125,069</u>	<u>64,102</u>	<u>138,633</u>	<u>-</u>	<u>327,804</u>
Total current assets	<u>273,818</u>	<u>153,687</u>	<u>179,228</u>	<u>1,147</u>	<u>607,880</u>
Noncurrent assets					
Capital assets, net	<u>6,081,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,081,302</u>
Total assets	<u>6,355,120</u>	<u>153,687</u>	<u>179,228</u>	<u>1,147</u>	<u>6,689,182</u>
Liabilities					
Current liabilities					
Accounts payable	2,936	114,747	18,884	-	136,567
Accrued and other liabilities	52,136	-	20,596	-	72,732
Due to other funds	66,423	-	-	-	66,423
Current portion of noncurrent liabilities	<u>168,173</u>	<u>-</u>	<u>1,020,686</u>	<u>-</u>	<u>1,188,859</u>
Total current liabilities	<u>289,668</u>	<u>114,747</u>	<u>1,060,166</u>	<u>-</u>	<u>1,464,581</u>
Noncurrent liabilities					
Long-term debt net current portion	<u>4,402,831</u>	<u>-</u>	<u>180,000</u>	<u>-</u>	<u>4,582,831</u>
Total liabilities	<u>4,692,499</u>	<u>114,747</u>	<u>1,240,166</u>	<u>-</u>	<u>6,047,412</u>
Fund Balances					
Invested in capital assets, net of related debt	1,510,298	-	-	-	1,510,298
Unrestricted (deficit)	<u>152,323</u>	<u>38,940</u>	<u>(1,060,938)</u>	<u>1,147</u>	<u>(868,528)</u>
Total net assets (deficit)	<u>\$ 1,662,621</u>	<u>\$ 38,940</u>	<u>\$ (1,060,938)</u>	<u>\$ 1,147</u>	<u>\$ 641,770</u>

City of Greenville
Notes to Financial Statements
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

City of Greenville has six City Council members who are elected at large for overlapping four year terms and a Mayor elected at large for a two year term. The Council appoints the City Manager, Clerk/Treasurer, and Assessor. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Discretely Presented Component Units – The component unit column in the entity wide financial statements include the financial data of the City's Downtown Development Authority, Economic Development Corporation, Tax Increment Finance Authority, and the Local Development Finance Authority.

Downtown Development Authority – A majority of the members of the governing board of the Downtown Development Authority are appointed by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority.

Economic Development Corporation – A majority of the members of the governing board of the Economic Development Corporation are appointed by the City Council. The City also has the ability to significantly influence operations of the Economic Development Corporation.

Tax Increment Finance Authority – A majority of the members of the governing board of the Tax Increment Finance Authority are appointed by the City Council. The City also has the ability to significantly influence operations of the Tax Increment Finance Authority.

Local Development Finance Authority – The members of the governing board of the Local Development Finance Authority are appointed by the Mayor of the City. The budget and expenditures of the Local Development Finance Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Local Development Finance Authority.

The Greenville Housing Commission is a component unit that was established by City Council to provide low rent housing. The financial activity has not been included as part of the City's financial statements because audited information is not available in a timely manner. The following summarized information is provided in accordance with the Michigan Committee on Governmental Accounting and Auditing Statement No. 5.

The most recent audited financial statements for the Greenville Housing Commission are for the year ended June 30, 2005. Total assets, liabilities, and equity as of June 30, 2005, were \$3,265,253, \$873,850, and \$2,391,403, respectively.

Blended Component Units – A blended component unit is a legally separate entity from the City, but is so intertwined with the City that it is in substance the same as the city. It is reported as part of the City and blended into the appropriate funds.

Building Authority – The City of Greenville's Building Authority has been included as part of the City's financial statements since the City appoints the governing authority, designated management and has significant influence over the operations of the Building Authority.

City of Greenville
Notes to Financial Statements
June 30, 2006

The financial statements of the City of Greenville Building Authority do not contain any financial information, therefore, no financial data has been presented in the City's financial statements.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

City of Greenville
Notes to Financial Statements
June 30, 2006

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the maintenance and improvement activities for streets designated as "major" within the City. Funding is primarily through state shared gas and weight taxes.

The Local Street Fund accounts for maintenance and improvement activities for streets designated as "local" within the City. Funding is primarily through state shared gas and weight taxes.

The Industrial Park Development Fund is used to account for the resources for the creation and development of an industrial park.

The Special Assessments Fund accounts for the resources in association with collecting special assessments taxes.

The Capital Improvements Fund accounts for resources which have the purpose of making capital improvements to the City.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

The Water Fund accounts for the activities of the water distribution system.

Additionally, the government reports the following:

Internal Service Funds of the City of Greenville include Motor Pool Fund, Health, Life, Dental and Vision Insurance Fund, Unemployment Fund, Weekly Indemnity Fund, Retiree Health Benefits Fund, Flexible Spending Fund, and Accrued Sick and Vacation Liability Fund. Internal Service Funds accounts for major machinery and equipment purchases and maintenance provided to other departments of the government on a cost reimbursement basis.

Agency Funds account for property tax and other deposits collected on behalf of other units and individuals. The Agency Funds of the City of Greenville include the Delinquent Personal Property Tax Clearing Fund and the General Agency Fund. The Firefighters Equipment Fund is a Private Purpose Trust Fund.

The nonmajor special revenue funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

The debt service funds account for the accumulation of resources for, and payment of governmental activities principal, interest and related costs.

Trust and Agency Fund and Current Tax Collection Fund accounts for property tax and other deposits collected on behalf of other units and individuals.

Nonmajor Enterprise Fund accounts for the operations of the Recreation Fund, Parking Fund, and Dial-A-Ride fund.

Nonmajor Capital Projects Fund accounts for resources for Fire Department equipment.

City of Greenville
Notes to Financial Statements
June 30, 2006

Perpetual Care Fund accounts for the maintenance of the Cemetery Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water funds and the internal service funds are charges to customers for sales and

services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

City of Greenville
Notes to Financial Statements
June 30, 2006

The 2005 taxable valuation of the government totaled \$182,009,277, on which ad valorem taxes consisted of 11.84 mills for operating purposes, .9073 for garbage collection, 1.0 mills for improvements in the Downtown Development Authority, .22 mills for promotion and development of the community. This resulted in \$2,339,725 for operating expenses, \$179,880 for garbage collection, \$455,325 for Downtown Development Authority, and \$49,563 for promotion and development of the community, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Inventories and prepaid items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted assets – Certain revenue bonds of the Enterprise Funds require amounts to be set aside for a bond reserve. These amounts have been classified as restricted investments.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Land improvements	10 to 20 years
Water and sewer lines	50 to 75 years
Vehicles	3 to 10 years
Office equipment computer equipment	5 to 7 years
Computer equipment	3 to 7 years
Roads	25 years
Other infrastructure	20 to 40 years

Compensated absences – It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. City employees are granted vacation and sick leave in varying amounts based on length of service. Vacation must be used by December 31 or it is forfeited. Employees can accumulate up to 120 sick days. Accumulations in excess of that amount are paid at 50% of the unused portion as of December 31 at the employees pay rate. Upon termination, employees are paid on a prorated basis for unused vacation of that year at their current rates. Upon termination of employment after 10 years of service, or upon retirement or death of an employee, payments will be for 50% of accumulated sick leave for non-union employees and 100% of accumulated sick leave for union employees who started before July 1, 1997. The cost of vested accumulated vacation and sick leave along with the related payroll taxes is recorded in an Internal Service Fund and in the government-wide financial statements.

City of Greenville
Notes to Financial Statements
June 30, 2006

Budgetary information

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Comparative data

Comparative data is not included in the government's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to July 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to July 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The City Manager is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the City Council.

The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds.

Excess of expenditures over appropriations

Michigan Public Act 621 of 1978, Section 18(1), as amended provides that a local government shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2006, the City incurred expenditures in the General Fund, Local Street, Special Assessment, and Industrial Park funds in excess of the amount appropriated as follows:

City of Greenville
Notes to Financial Statements
June 30, 2006

<u>Fund</u>	<u>Total Appropriation</u>	<u>Amount Expended</u>	<u>Over Budget</u>
General Fund			
Capital outlay	\$ 6,000	\$ 11,133	\$ 5,133
Transfers out	1,066,275	1,071,754	5,479
Local Street			
Transfers out	117,000	174,189	57,189
Special Assessments			
Interest	18,100	18,723	623
Industrial Park Fund			
Transfers out	-	8,073	8,073

Deficit fund equity

The City has a deficit fund balance in the Danish Kingdom Maintenance Fund. The City also has an unrestricted deficit in the Dial-A-Ride fund. These deficits will be eliminated next year with a transfer from the general fund.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end the government's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Restricted Investments</u>
Governmental activities	\$ 5,152,540	\$ 2,038,406	\$ -
Business-type activities	<u>1,164,038</u>	<u>-</u>	<u>1,323,172</u>
Total primary government	6,316,578	2,038,406	1,323,172
Fiduciary funds	469,981	248,515	-
Component unit	<u>278,891</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,065,450</u>	<u>\$ 2,286,921</u>	<u>\$ 1,323,172</u>

The breakdown between deposits and investments is as follows:

City of Greenville
Notes to Financial Statements
June 30, 2006

	Primary Government	Fiduciary Funds	Component Unit
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 6,485,958	\$ 469,981	\$ 278,891
Investments in securities, mutual funds and similar vehicles	3,191,578	248,515	-
Petty cash and cash on hand	620	-	-
	<u>\$ 9,678,156</u>	<u>\$ 718,496</u>	<u>\$ 278,891</u>

As of year end, the government had the following investments:

Investment	Fair Value	Rating	Rating Organization
Fixed Income	\$ 688,886	AAA	Standard & Poors
Federal Home			
Loan Mortgage Company	935,311	AAA	Standard & Poors
Federal Home Loan Bank	1,307,362	AAA	Standard & Poors
FNMA	395,923	AAA	Standard & Poors
GNMA	112,611	AAA	Standard & Poors
	<u>\$ 3,440,093</u>		

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates

Credit risk – State statutes and the government's investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and

loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$ 4,408,263 was exposed to custodial credit risk because it was uninsured and uncollateralized .

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the government's investment policy, the government's investments are held by a counterparty and are not insured.

NOTE 4 - RECEIVABLE S AND DEFERRED REVENUE

The only receivable not expected to be collected within one year is as follows:

City of Greenville
Notes to Financial Statements
June 30, 2006

	Due After One Year	Fund
Primary government		
Special assessments	\$ <u>192,632</u>	Special assessments

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Primary government		
Special assessments	\$ 254,124	-
Grants	748,839	-
Property taxes	48,413	-
Other revenue	<u>-</u>	<u>3,754</u>
	<u>\$ 1,051,376</u>	<u>\$ 3,754</u>

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,348,014	\$ 1,010,824	\$ -	\$ 3,358,838
Construction in progress	<u>941,011</u>	<u>1,740,115</u>	<u>765,000</u>	<u>1,916,126</u>
Total capital assets not being depreciated	<u>3,289,025</u>	<u>2,750,939</u>	<u>765,000</u>	<u>5,274,964</u>
Capital assets being depreciated				
Land improvements	2,623,978	-	-	2,623,978
Infrastructure	19,690,085	230,381	-	19,920,466
Buildings, additions and improvements	2,781,901	8,570	-	2,790,471
Machinery and equipment	2,150,949	33,128	34,832	2,149,245
Vehicles	<u>2,435,237</u>	<u>707,644</u>	<u>-</u>	<u>3,142,881</u>
Total capital assets being depreciated	<u>29,682,150</u>	<u>979,723</u>	<u>34,832</u>	<u>30,627,041</u>
Less accumulated depreciation for				
Land improvements	1,103,791	112,280	-	1,216,071
Infrastructure	7,023,632	420,838	-	7,444,470
Buildings, additions and improvements	1,303,918	68,655	-	1,372,573
Machinery and equipment	1,751,056	93,511	34,832	1,809,735
Vehicles	<u>2,140,215</u>	<u>137,867</u>	<u>-</u>	<u>2,278,082</u>
Total accumulated depreciation	<u>13,322,612</u>	<u>833,151</u>	<u>34,832</u>	<u>14,120,931</u>
Net capital assets being depreciated	<u>16,359,538</u>	<u>146,572</u>	<u>-</u>	<u>16,506,110</u>
Governmental activities capital assets, net	<u>\$ 19,648,563</u>	<u>\$ 2,897,511</u>	<u>\$ 765,000</u>	<u>\$ 21,781,074</u>

City of Greenville
Notes to Financial Statements
June 30, 2006

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 387,066	\$ -	\$ -	\$ 387,066
Construction in progress	-	299,310	-	299,310
Total capital assets not being depreciated	<u>387,066</u>	<u>299,310</u>	<u>-</u>	<u>686,376</u>
Capital assets being depreciated				
Land improvements	763,101	-	-	763,101
Buildings, additions and improvements	5,412,147	-	-	5,412,147
Machinery and equipment	1,011,524	13,556	-	1,025,080
Vehicles	869,285	-	-	869,285
Water system	2,991,505	139,472	-	3,130,977
Sewer system	5,601,293	-	-	5,601,293
Total capital assets being depreciated	<u>16,648,855</u>	<u>153,028</u>	<u>-</u>	<u>16,801,883</u>
Less accumulated depreciation for				
Land improvements	501,135	30,634	-	531,769
Buildings, additions and improvements	2,204,125	113,070	-	2,317,195
Machinery and equipment	484,900	29,212	-	514,112
Vehicles	605,905	67,987	-	673,892
Water system	1,289,520	57,504	-	1,347,024
Sewer system	2,147,616	102,325	-	2,249,941
Total accumulated depreciation	<u>7,233,201</u>	<u>400,732</u>	<u>-</u>	<u>7,633,933</u>
Net capital assets being depreciated	<u>9,415,654</u>	<u>(247,704)</u>	<u>-</u>	<u>9,167,950</u>
Business-type capital assets, net	<u>\$ 9,802,720</u>	<u>\$ 51,606</u>	<u>\$ -</u>	<u>\$ 9,854,326</u>

Capital assets activity of the component unit for the current year was as follows:

Component Unit				
Capital assets not being depreciated				
Land	\$ -	\$ 192,044	\$ -	\$ 192,044
Capital assets being depreciated				
Land improvements	6,281,230	-	-	6,281,230
Less accumulated depreciation for				
Land improvements	<u>234,941</u>	<u>157,031</u>	<u>-</u>	<u>391,972</u>
Net capital assets being depreciated	<u>6,046,289</u>	<u>(157,031)</u>	<u>-</u>	<u>5,889,258</u>
Component unit capital assets, net	<u>\$ 6,046,289</u>	<u>\$ 35,013</u>	<u>\$ -</u>	<u>\$ 6,081,302</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 118,832
Public safety	160,027
Public works	344,686
Recreation and culture	133,455
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>76,151</u>
Total governmental activities	<u>833,151</u>
Business-type activities	
Sewer	206,788
Water	89,647
Parking	30,494
Dial-A-Ride	<u>73,803</u>
Total business-type activities	<u>400,732</u>

City of Greenville
Notes to Financial Statements
June 30, 2006

NOTE 6 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due from/to other funds		
General Fund	Delinquent Personal Property	\$ 5,738
General Fund	Trust and Agency	13,437
General Fund	Cemetery	2,154
Water Fund	Capital Improvement Fund	52,515
Major Street Fund	Capital Improvement Fund	28,746
		<u>\$ 102,590</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Due to/from primary government and component units

Due to/from other funds		
DDA	Trust and Agency	125,069
DDA	Delinquent Personal Property	2
TIFA	Trust and Agency	64,102
LDFA	Trust and Agency	138,633
Special Assessments	DDA	8,310
General Fund	DDA	58,113
EDC Board	General Fund	1,147
		<u>\$ 395,376</u>

The details for interfund transfers are as follows:

Fund	Income Transfers	Outgoing Transfers
General	\$ 1,167,246	\$ 1,071,754
Major street	-	273,019
Local street	112,000	174,189
Capital improvements	246,824	591,362
Industrial park	-	8,073
Nonmajor governmental	154,600	135,153
Sewer	74,827	331,284
Water	390,421	296,657
Nonmajor enterprise	178,042	159,424
Internal service	882,132	165,177
Total	<u>\$ 3,206,092</u>	<u>\$ 3,206,092</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

City of Greenville
Notes to Financial Statements
June 30, 2006

NOTE 8 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government. Other long-term obligations include compensated absences. Compensated absences are typically liquidated with funds from the General Fund.

Long-term obligation activity is summarized as follows:

City of Greenville
Notes to Financial Statements
June 30, 2006

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Bonds and notes payable									
General obligation bonds									
2000 Government obligation bonds	\$ 250,000	9/1/09	5.05 - 5.15%	\$30,000 - \$35,000	\$ 150,000	\$ -	\$ 30,000	\$ 120,000	\$ 25,000
Special assessment obligations									
2000 Special assessment bonds	455,000	9/1/05	5.00 - 5.15%	\$45,000 - \$60,000	255,000	-	50,000	205,000	45,000
Installment purchase agreements									
Chase Equipment Leasing, Inc	1,010,824	4/7/16	4.15%	\$27,528 - \$377,609	-	1,010,824	-	1,010,824	55,628
Chase Equipment Leasing, Inc	648,500	6/28/16	4.46%	\$1,713 - \$392,664	-	648,500	-	648,500	20,984
Total bonds payable					405,000	1,659,324	80,000	1,984,324	146,612
Contracts payable									
1998 Michigan Aeronautics	100,000	12/22/08	4.70%	\$11,119 - \$12,195	45,399	-	10,554	34,845	11,119
Compensated absences					485,631	41,955	-	527,586	-
Total governmental activities					\$ 936,030	\$ 1,701,279	\$ 90,554	\$ 2,546,755	\$ 157,731
	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities									
Bonds and notes payable									
General obligation bonds									
1993 Wastewater treatment bonds	\$ 500,000	5/1/08	6.10%	\$60,000	\$ 170,000	\$ -	\$ 50,000	\$ 120,000	\$ 60,000
1995 Wastewater treatment bonds	350,000	4/1/15	5.20%-6.00%	\$20,000 - \$30,000	230,000	-	15,000	215,000	20,000
1997 Wastewater treatment bonds	600,000	7/1/12	5.00%-5.25%	\$45,000 - \$55,000	335,000	-	40,000	295,000	45,000
Total business-type activities					\$ 735,000	\$ -	\$ 105,000	\$ 630,000	\$ 125,000

City of Greenville
Notes to Financial Statements
June 30, 2006

Component units

Local Development Finance Authority

1994 Tax Increment Development bonds	\$	700,000	5/1/09	6.25%-6.35%	\$75,000 - \$95,000	\$	325,000	\$	-	\$	70,000	\$	255,000	\$	75,000
Loan Payable		1,240,000	7/11/06	4.14%	\$945,686		980,568		-		34,882		945,686		945,686

Downtown Development Authority

2002 Government obligation bonds		4,750,000	4/1/22	4.50%-4.75%	\$160,000 - \$395,000		4,545,000		-		120,000		4,425,000		160,000
Commercial bank Greenville		150,000	9/29/20	3.00%	\$4,056 - \$6,153		<u>-</u>		<u>150,000</u>		<u>3,996</u>		<u>146,004</u>		<u>8,173</u>

Total component units							<u>\$ 5,850,568</u>		<u>\$ 150,000</u>		<u>\$ 228,878</u>		<u>\$ 5,771,690</u>		<u>\$ 1,188,859</u>
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City of Greenville
Notes to Financial Statements
June 30, 2006

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 162,730	\$ 85,252	\$ 125,000	\$ 34,780
2008	171,543	78,700	125,000	27,810
2009	175,348	70,663	65,000	20,767
2010	181,906	62,028	75,000	17,372
2011	90,637	55,851	80,000	13,398
2012-2016	1,237,005	217,446	160,000	19,590
	<u>\$ 2,019,169</u>	<u>\$ 569,940</u>	<u>\$ 630,000</u>	<u>\$ 133,717</u>

Year Ending December 31,	Component Unit	
	Principal	Interest
2007	\$ 1,188,859	\$ 248,484
2008	293,419	216,805
2009	313,674	201,795
2010	228,936	185,631
2011	239,206	175,020
2012-2016	1,370,378	698,502
2017-2021	1,742,218	346,790
2022	395,000	18,762
	<u>\$ 5,771,690</u>	<u>\$ 2,091,789</u>

NOTE 9 - RESTRICTED ASSETS

The balance of the restricted assets for bond debt reserves accounts in the Enterprise Funds are as follows:

Sewer Fund	Investments	\$1,323,172
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NOTE 10 - RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in a pool, the Michigan Municipal Liability and Property Pool, with other municipalities for auto, property, liability, inland marine, electronic data processing, crime and bonds, and boiler and machinery losses. The pool is organized under Public Act 138 of 1982, as amended. The City has no liability for additional assessments based on the claims filed against the pool nor do they have rights to dividends.

The City also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The City has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

The City carries commercial health insurance for the benefit of its employees. The City is self funded for prescriptions and the portion of health benefits, dental, vision, unemployment and indemnity that exceed the coverage of the commercial insurance. The requirements of Statement No. 10 of the Governmental Accounting Standards Board requires that a liability for claims be reported if it is probably that a liability has been incurred and the amount of the loss can be reasonable estimated. At June 30, 2006 – there were no claims liability reported in the Health and Life Insurance Internal Service Fund.

City of Greenville
Notes to Financial Statements
June 30, 2006

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Retirement Plan – (Except Certain Public Safety Employees)

Plan description – The City provides pension benefits for substantially all employees except public safety employees working more than 1,000 hours per year through a defined contribution plan, which was established by the City Council and may be amended from time to time by the City Council. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after one year employment. The City contributes .5% of each participant's base salary to the plan. The City will then match employee contributions 1/5 to 1 up to a maximum employee contribution of 4% of their wage. The City's contributions are vested at a rate of 40% after four (4) years of service and an additional 10% per year for each year thereafter with full vesting after ten years of continuous service. City contributions and interest are forfeited by employees who leave the plan and are not fully vested and are reallocated among remaining participants.

The City's total applicable (excluding public safety employees covered under another retirement plan) payroll for the year ending June 30, 2006 was \$2,152,620. The City's applicable covered payroll was \$1,904,914. The City's contribution was \$114,295.

Retirement Plan – Certain Public Safety Employees

Plan description – The government participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the government. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements

and required supplementary information for the system. That report may be obtained by writing to MERS at 447 N. Canal Rd., Lansing, Michigan 48917.

Funding policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the government's competitive bargaining units and requires a contribution from the employees of 3-5% percent of gross wages. The City is required to contribute the remaining amounts necessary to fund the system.

Annual pension costs – For year ended June 30, 2006, the government's annual pension cost of \$54,978 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry actual age cost method. Significant actuarial assumptions used include: 1) an 8% investment rate of return; 2) projected salary increases of 4.5% percent per year; and 3) additional salary increases ranging from 0 – 4.2% per year depending on age, seniority and merit; and 4) assumption benefits will not increase after retirement. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 10 years.

City of Greenville
Notes to Financial Statements
June 30, 2006

Three year trend information as of December 31 follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Annual pension cost	\$ 53,412	\$ 54,425	\$ 19,615
Percentage of APC contributed	100%	100%	100%
Actuarial value of assets	3,103,280	2,938,895	2,776,431
Actuarial accrued liabilities	3,644,426	3,403,735	3,348,302
Unfunded AAL	541,146	464,840	571,871
Funded ratio	85.0%	86.0%	83.0%
Covered payroll	890,143	932,355	1,037,984
UAAL as a percentage of covered payroll	61%	50%	55%

Capital Improvements Fund

Beginning Fund balance	\$ 990,477
Prior period adjustment	<u>(28,746)</u>
Beginning Fund balance (restated)	<u>\$ 961,731</u>

NOTE 12 - POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the City provides certain health care benefits for non-union retired employees. The City's non-union employees may become eligible for these benefits if they retire from the City at age 62. The benefit to the eligible retirees is \$4 per month for each year of service and will be indexed 5% per year. Eligible retirees will receive the benefit for 25 years.

NOTE 13 - PRIOR PERIOD ADJUSTMENT

The following prior period adjustment was made during the year, which was the result of \$28,746 of revenue being improperly recorded in the capital improvements fund instead of the major street fund. These adjustments were reported as changes to beginning fund balance. The net effect is \$0.

Major Street Fund

Beginning Fund balance	\$ 926,433
Prior period adjustment	<u>28,746</u>
Beginning Fund balance (restated)	<u>\$ 955,179</u>

City of Greenville
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes				
Property taxes	\$ 1,801,200	\$ 1,801,200	\$ 1,838,142	\$ 36,942
Penalties and interest	25,000	25,000	28,094	3,094
Administration fee	115,000	115,000	117,001	2,001
Special assessments	-	-	477	477
Licenses and permits	35,000	35,000	32,910	(2,090)
State revenue sharing	809,000	809,000	784,535	(24,465)
State grants	105,000	105,000	32,792	(72,208)
Charges for services	128,500	128,500	155,278	26,778
Fines and forfeitures	40,000	40,000	36,545	(3,455)
Interest income	50,000	50,000	184,470	134,470
Rental income	18,000	18,000	43,537	25,537
Other revenue	157,477	157,477	243,215	85,738
Insurance recoveries	15,000	15,000	15,991	991
Transfer in	1,166,753	1,166,753	1,167,246	493
Total revenues	4,465,930	4,465,930	4,680,233	214,303

City of Greenville
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Expenditures				
General government				
Township board	101,450	86,450	79,515	(6,935)
Manager	183,550	192,000	191,536	(464)
Clerk	206,500	205,700	204,277	(1,423)
Board of review	900	900	779	(121)
Assessor	74,870	108,000	106,515	(1,485)
Elections	8,500	8,000	7,303	(697)
Buildings and grounds	47,055	67,000	66,675	(325)
Public safety building maintenance	50,555	67,500	64,950	(2,550)
Attorney	80,000	85,000	76,044	(8,956)
Cemetery	22,800	29,500	29,227	(273)
Total general government	776,180	850,050	826,821	(23,229)
Public safety				
Police	1,277,600	1,353,250	1,344,547	(8,703)
Building inspection department	41,505	-	-	-
Total public safety	1,319,105	1,353,250	1,344,547	(8,703)
Public works				
Department of public works	319,300	329,300	319,808	(9,492)
Street lighting	92,500	87,500	82,191	(5,309)
Total public works	411,800	416,800	401,999	(14,801)
Community and economic development				
Planning	66,200	66,700	66,451	(249)
Economic Development	39,970	44,470	43,925	(545)
Total community and economic development	106,170	111,170	110,376	(794)

City of Greenville
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Recreation and culture				
Parks and recreation	56,100	67,500	66,996	(504)
Other functions				
Airport	23,350	23,350	18,096	(5,254)
Insurance and bonds	237,000	238,000	237,919	(81)
Unallocated employee fringe benefits	465,000	467,500	458,959	(8,541)
Total other functions	725,350	728,850	714,974	(13,876)
Capital outlay	5,000	6,000	11,133	5,133
Transfers out	1,066,225	1,066,275	1,071,754	5,479
Total expenditures	4,465,930	4,599,895	4,548,600	(51,295)
Excess (deficiency) of revenues over expenditures	-	(133,965)	131,633	265,598
Fund balance - beginning of year	592,867	592,867	592,867	-
Fund balance - end of year	\$ 592,867	\$ 458,902	\$ 724,500	\$ 265,598

City of Greenville
Required Supplemental Information
Budgetary Comparison Schedule
Major Street
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
State revenue sharing	\$ 445,000	\$ 445,000	\$ 423,304	\$ (21,696)
Other state grants	50,000	50,000	51,689	1,689
Interest income	5,000	5,000	(2,176)	(7,176)
Total revenues	500,000	500,000	472,817	(27,183)
Expenditures				
Current				
Public works	321,700	344,975	218,862	(126,113)
Transfers out	471,418	474,243	273,019	(201,224)
Total expenditures	793,118	819,218	491,881	(327,337)
Excess of revenues (deficiency) over expenditures	(293,118)	(319,218)	(19,064)	300,154
Fund balance - beginning of year (restated)	926,433	926,433	955,179	28,746
Fund balance - end of year	\$ 633,315	\$ 607,215	\$ 936,115	\$ 328,900

City of Greenville
Required Supplemental Information
Budgetary Comparison Schedule
Local Street
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 113,000	\$ 113,000	\$ 118,953	\$ 5,953
State revenue sharing	162,000	162,000	159,011	(2,989)
Interest income	3,600	3,600	7,508	3,908
Transfers in	112,000	112,000	112,000	-
Total revenues	390,600	390,600	397,472	6,872
Expenditures				
Current				
Public works	399,900	414,400	227,238	(187,162)
Transfers out	117,000	117,000	174,189	57,189
Total expenditures	516,900	531,400	401,427	(129,973)
Excess of revenues (deficiency) over expenditures	(126,300)	(140,800)	(3,955)	136,845
Fund balance - beginning of year	444,427	444,427	444,427	-
Fund balance - end of year	\$ 318,127	\$ 303,627	\$ 440,472	\$ 136,845

City of Greenville
Required Supplemental Information
Budgetary Comparison Schedule
Special Assessments
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Interest income	\$ 15,000	\$ 15,000	\$ 14,983	\$ (17)
Other revenue	56,000	58,500	64,924	6,424
Transfers in	25,700	25,700	-	(25,700)
Total revenues	96,700	99,200	79,907	(19,293)
Expenditures				
Debt service				
Principal retirement	80,000	80,000	80,000	-
Interest and fiscal charges	15,600	18,100	18,723	623
Total expenditures	95,600	98,100	98,723	623
Excess of revenues (deficiency) over expenditures	1,100	1,100	(18,816)	(19,916)
Fund balance - beginning of year	50,155	50,155	50,155	-
Fund balance - end of year	\$ 51,255	\$ 51,255	\$ 31,339	\$ (19,916)

City of Greenville
Required Supplemental Information
Budgetary Comparison Schedule
Industrial Park Fund
For the Year Ended June 30, 2006

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Federal grants	\$ 1,700,000	\$ 1,700,000	\$ 933,719	\$ (766,281)
Sale of fixed assets	72,000	72,000	1,138,820	1,066,820
Bond/note proceeds	-	1,000,000	1,010,824	10,824
	<u>1,772,000</u>	<u>2,772,000</u>	<u>3,083,363</u>	<u>311,363</u>
Total revenues				
Expenditures				
Current				
Other functions	47,000	47,000	9,328	(37,672)
Capital outlay	1,725,000	2,725,000	2,556,978	(168,022)
Transfers out	-	-	8,073	8,073
	<u>1,772,000</u>	<u>2,772,000</u>	<u>2,574,379</u>	<u>(197,621)</u>
Total expenditures				
Excess of revenues over expenditures	-	-	508,984	508,984
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 508,984</u>	<u>\$ 508,984</u>

City of Greenville
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
	Community Center	Danish Kindgom Maintenance	Solid Waste	Development and Rehabilitation	Debt Service	Fire Department Equipment	Cemetery Perpetual Care	
Assets								
Cash and cash equivalents	\$ 3,208	\$ -	\$ 199,565	\$ 532,955	\$ 236	\$ 262,069	\$ 166,262	\$ 1,164,295
Investments	-	-	151,216	44,816	-	145,065	48,906	390,003
Receivables								
Customers	1,100	922	146,282	-	-	-	-	148,304
Accrued interest and other	-	-	1,689	366	-	919	608	3,582
Prepaid items	10,000	-	-	-	-	-	-	10,000
Total assets	\$ 14,308	\$ 922	\$ 498,752	\$ 578,137	\$ 236	\$ 408,053	\$ 215,776	\$ 1,716,184
Liabilities								
Accounts payable	1,954	1,076	52,351	-	-	-	-	55,381
Accrued and other liabilities	4,605	-	-	-	-	-	-	4,605
Due to other funds	-	-	-	-	-	-	2,154	2,154
Total liabilities	6,559	1,076	52,351	-	-	-	2,154	62,140
Fund Balances								
Reserved for:								
Debt service	-	-	-	-	236	-	-	236
Capital improvements	-	-	-	-	-	408,053	-	408,053
Perpetual care	-	-	-	-	-	-	213,622	213,622
Unreserved								
Undesignated (deficit)	7,749	(154)	446,401	578,137	-	-	-	1,032,133
Total fund balances (deficit)	7,749	(154)	446,401	578,137	236	408,053	213,622	1,654,044
Total liabilities and fund balances	\$ 14,308	\$ 922	\$ 498,752	\$ 578,137	\$ 236	\$ 408,053	\$ 215,776	\$ 1,716,184

City of Greenville
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
	Community Center	Danish Kingdom Maintenance	Solide Waste	Development and Rehabilitation	Debt Service	Fire Dept. Equipment	Cemetery Perpetual Care	
Revenues								
Taxes	\$ -	\$ -	\$ 179,880	\$ -	\$ -	\$ -	\$ -	\$ 179,880
Licenses and permits	-	-	1,450	-	-	-	-	1,450
Other state grants	12,150	-	-	-	-	-	-	12,150
Charges for services	65,765	-	627,134	-	-	-	2,975	695,874
Fines and forfeitures	-	-	3,304	-	-	-	-	3,304
Interest income	1,568	-	8,139	4,946	-	(1,175)	5,601	19,079
Rental income	60,056	-	30,710	-	-	-	-	90,766
Other revenue	42,325	922	-	-	-	-	-	43,247
Total revenues	181,864	922	850,617	4,946	-	(1,175)	8,576	1,045,750

City of Greenville
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
	Community Center	Danish Kingdom Maintenance	Solide Waste	Development and Rehabilitation	Debt Service	Fire Dept. Equipment	Cemetery Perpetual Care	
Expenditures								
Current								
Public works	\$ -	\$ -	\$ 783,175	\$ -	\$ -	\$ -	\$ -	\$ 783,175
Recreation and culture	206,882	1,138	-	-	-	-	-	208,020
Capital outlay	-	-	-	-	-	648,500	-	648,500
Debt service								
Principal retirement	-	-	-	-	10,554	-	-	10,554
Interest and fiscal charges	-	-	-	-	2,208	-	-	2,208
Total expenditures	206,882	1,138	783,175	-	12,762	648,500	-	1,652,457
Excess (deficiency) of revenues over expenditures	(25,018)	(216)	67,442	4,946	(12,762)	(649,675)	8,576	(606,707)
Other financing sources (uses)								
Transfers in	91,800	-	-	-	12,800	50,000	-	154,600
Transfers out	(73,596)	(314)	(60,743)	-	-	-	(500)	(135,153)
Bond/note proceeds	-	-	-	-	-	648,500	-	648,500
Total other financing sources and uses	18,204	(314)	(60,743)	-	12,800	698,500	(500)	667,947
Net change in fund balance	(6,814)	(530)	6,699	4,946	38	48,825	8,076	61,240
Fund balance - beginning of year	14,563	376	439,702	573,191	198	359,228	205,546	1,592,804
Fund balance - end of year (deficit)	\$ 7,749	\$ (154)	\$ 446,401	\$ 578,137	\$ 236	\$ 408,053	\$ 213,622	\$ 1,654,044

City of Greenville
Other Supplemental Information
Combining Balance Sheet
Nonmajor Enterprise Funds
June 30, 2006

	<u>Recreation</u>	<u>Parking</u>	<u>Dial-A-Ride</u>	<u>Total Nonmajor Enterprise Funds</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 84,162	\$ 28,874	\$ -	\$ 113,036
Receivables				
Customers	22	-	566	588
Due from other units of government	-	-	20,489	20,489
Total current assets	<u>84,184</u>	<u>28,874</u>	<u>21,055</u>	<u>134,113</u>
Noncurrent assets				
Capital assets, net	-	617,836	241,202	859,038
Total assets	<u>84,184</u>	<u>646,710</u>	<u>262,257</u>	<u>993,151</u>
Liabilities				
Current liabilities				
Accounts payable	4,221	-	106,931	111,152
Accrued and other liabilities	5,861	-	6,770	12,631
Deferred revenue	3,754	-	-	3,754
Total liabilities	<u>13,836</u>	<u>-</u>	<u>113,701</u>	<u>127,537</u>
Net Assets				
Invested in capital assets, net of related debt	-	617,836	241,202	859,038
Unrestricted (deficit)	<u>70,348</u>	<u>28,874</u>	<u>(92,646)</u>	<u>6,576</u>
Total net assets	<u>\$ 70,348</u>	<u>\$ 646,710</u>	<u>\$ 148,556</u>	<u>\$ 865,614</u>

City of Greenville
Other Supplemental Information
Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2006

	Enterprise Funds			Total Nonmajor Enterprise Funds
	Recreation	Parking	Dial-A-Ride	
Operating revenue				
Customer fees	\$ 123,711	\$ -	\$ 110,527	\$ 234,238
Rental income	1,358	-	-	1,358
Other revenue	8,321	-	-	8,321
Total operating revenue	133,390	-	110,527	243,917
Operating expenses				
Personnel services	107,780	10,437	251,403	369,620
Supplies	43,537	8,526	84,032	136,095
Contractual services	17,475	-	836	18,311
Utilities	12,849	-	4,944	17,793
Repairs and maintenance	247	-	-	247
Other expenses	9,177	9,356	64	18,597
Capital outlay	145	-	-	145
Depreciation	-	30,494	73,803	104,297
Total operating expenses	191,210	58,813	415,082	665,105
Operating loss	(57,820)	(58,813)	(304,555)	(421,188)
Nonoperating revenue (expenses)				
Property taxes	-	220	49,563	49,783
Federal grant	-	-	33,415	33,415
State grant	-	-	218,063	218,063
Interest income	1,003	-	-	1,003
Total nonoperating revenues	1,003	220	301,041	302,264
Loss before contributions and transfers out	(56,817)	(58,593)	(3,514)	(118,924)
Local contributions	-	-	17,500	17,500
Transfers in	153,742	24,300	-	178,042
Transfers out	(38,054)	(6,657)	(114,713)	(159,424)
Change in net assets	58,871	(40,950)	(100,727)	(82,806)
Net assets - beginning of year	11,477	687,660	249,283	948,420
Net assets - end of year	\$ 70,348	\$ 646,710	\$ 148,556	\$ 865,614

City of Greenville
Other Supplemental Information
Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended June 30, 2006

	Recreation	Parking	Dial-A-Ride	Total Nonmajor Enterprise Funds
Cash flows from operating activities				
Receipts from customers	\$ 134,042	\$ -	\$ 95,892	\$ 229,934
Payments to suppliers	(82,953)	(17,882)	17,723	(83,112)
Payments to employees	(107,780)	(10,437)	(251,403)	(369,620)
Net cash used by operating activities	(56,691)	(28,319)	(137,788)	(222,798)
Cash flows from noncapital financing activities				
Transfer from other funds	153,742	24,300	-	178,042
Transfers to other funds	(38,054)	(6,657)	(114,713)	(159,424)
Local contributions	-	-	17,500	17,500
Property taxes	-	-	49,563	49,563
Federal grant	-	-	33,415	33,415
State grant	-	-	218,063	218,063
Net cash provided by noncapital financing activities	115,688	17,643	203,828	337,159
Cash flows from capital and related financing activities				
Proceeds from special assessments	-	220	-	220
Cash flows from investing activities				
Interest received	1,003	-	-	1,003
Net increase (decrease) in cash and cash equivalents	60,000	(10,456)	66,040	115,584
Cash and cash equivalents - beginning of year (deficit)	24,162	39,330	(66,040)	(2,548)
Cash and cash equivalents - end of year (deficit)	\$ 84,162	\$ 28,874	\$ -	\$ 113,036

City of Greenville
Other Supplemental Information
Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended June 30, 2006

	<u>Recreation</u>	<u>Parking</u>	<u>Dial-A-Ride</u>	<u>Total Nonmajor Enterprise Funds</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating loss	\$ (57,820)	\$ (58,813)	\$ (304,555)	\$ (421,188)
Adjustments to reconcile operating income to net cash from operating activities				
Depreciation and amortization expense		30,494	73,803	104,297
Changes in assets and liabilities				
Receivables (net)	652	-	5,854	6,506
Due from other units of government	-		(20,489)	(20,489)
Accounts payable	(466)	-	106,786	106,320
Accrued and other liabilities	1,372	-	813	2,185
Deferred revenue	(429)	-	-	(429)
Net cash used by operating activities	<u>\$ (56,691)</u>	<u>\$ (28,319)</u>	<u>\$ (137,788)</u>	<u>\$ (222,798)</u>

City of Greenville
Dial-A-Ride Fund
Schedule of Operating Revenues
Year Ended June 30, 2006

	July 1, 2005 to <u>Sept. 30, 2005</u>	Oct. 1, 2005 to <u>June 30, 2006</u>	<u>Total</u>
Operating revenues			
Demand response (fare box)	\$ 17,630	\$ 31,097	\$ 48,727
Contracted services	<u>-</u>	<u>61,800</u>	<u>61,800</u>
 Total operating revenues	 <u>\$ 17,630</u>	 <u>\$ 92,897</u>	 <u>\$ 110,527</u>

City of Greenville
Dial-A-Ride Fund
Schedule of Nonoperating Revenues - Local
Year Ended June 30, 2006

	<u>July 1, 2005 to Sept. 30, 2005</u>	<u>Oct. 1, 2005 to June 30, 2006</u>	<u>Total</u>
Local nonoperating revenues			
Tax levy	\$ 52,263	\$ (2,700)	\$ 49,563
Private Contribution	<u>-</u>	<u>17,500</u>	<u>17,500</u>
 Total nonoperating revenue - local	 <u>\$ 52,263</u>	 <u>\$ 14,800</u>	 <u>\$ 67,063</u>

City of Greenville
Dial-A-Ride Fund
Schedule of Nonoperating Revenues - State and Federal Grants
Year Ended June 30, 2006

State and federal grants	
State of Michigan	
Formula operating assistance	\$ 192,402
Capital grant - Section 5311	<u>25,661</u>
 Total state grants	 218,063
 Federal grants	
U.S. DOT operating grant - Section 5311	<u>33,415</u>
 Total nonoperating revenues - state and federal grants	 <u>\$ 251,478</u>

City of Greenville
Dial-A-Ride Fund
Schedule of Net Eligible Cost Computations of General Operations
Year Ended June 30, 2006

	<u>Federal Section 5311</u>		<u>State Operating Assistance</u>	
	<u>July 1, 2005 to Sept. 30, 2005</u>	<u>Oct. 1, 2005 to June 30, 2006</u>	<u>July 1, 2005 to Sept. 30, 2005</u>	<u>Oct. 1, 2005 to June 30, 2006</u>
Expenses				
Labor	\$ 60,657	\$ 190,746	\$ 60,657	\$ 190,746
Fringe benefits	29,222	85,491	29,222	85,491
Materials and supplies	20,523	63,509	20,523	63,509
Utilities	484	4,460	484	4,460
Lease and rentals	29	35	29	35
Miscellaneous	279	557	279	557
Depreciation	<u>-</u>	<u>73,803</u>	<u>-</u>	<u>73,803</u>
Total expenses	111,194	418,601	111,194	418,601
Less ineligible expenses				
Depreciation	<u>-</u>	<u>(71,497)</u>	<u>-</u>	<u>(71,497)</u>
Net expenses	<u>\$ 111,194</u>	<u>\$ 347,104</u>	111,194	347,104
Less: Secion 5311 reimbursements			<u>(3,899)</u>	<u>(21,510)</u>
Net deficit eligible for state operating assistance reimbursement			<u>\$ 107,295</u>	<u>\$ 325,594</u>
Maximum Section 5311 reimbursement				
FY 05 (12.4%)	<u>\$ 13,788</u>			
FY 06 (15.0%)		<u>\$ 52,066</u>		
Maximum state operating assistance				
FY 05 (39.92%)			<u>\$ 42,832</u>	
FY 06 (39.25%)				<u>\$ 127,796</u>

City of Greenville
Dial-A-Ride Fund
Schedule of Operating Expenses
Year Ended June 30, 2006

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administrative</u>	<u>Total System</u>
Operating Expenses				
Labor				
Operator's wages and salaries	\$ 183,183	\$ -	\$ -	\$ 183,183
Other wages and salaries	44,715	10,905	12,600	68,220
Fringe benefits	102,215	6,378	6,120	114,713
Materials and supplies consumed				
Fuel and lubricants	48,316	-	-	48,316
Other materials and supplies	34,880	101	735	35,716
Utilities	-	-	4,944	4,944
Depreciation	-	-	73,803	73,803
Miscellaneous	-	836	-	836
Leases and rentals	-	64	-	64
	<u>-</u>	<u>64</u>	<u>-</u>	<u>64</u>
 Total operating expenses	 <u>\$ 413,309</u>	 <u>\$ 18,284</u>	 <u>\$ 98,202</u>	 <u>\$ 529,795</u>

City of Greenville
Dial-A-Ride Fund
Schedule of Net Capital Assets Purchased with Federal, State, and Local Grants
Year Ended June 30, 2006

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
Beginning balance - July 1, 2005	\$ 315,642	\$ 69,305	\$ 17,782	\$ 402,729
Less: current year depreciation of assets purchased with grant funds	<u>(58,425)</u>	<u>(12,594)</u>	<u>(478)</u>	<u>(71,497)</u>
Ending balance - June 30, 2006	<u>\$ 257,217</u>	<u>\$ 56,711</u>	<u>\$ 17,304</u>	<u>\$ 331,232</u>

City of Greenville
Dial-A-Ride Fund
Schedule of Mileage Data (Unaudited)
Year Ended June 30, 2006

Demand - Response	
First quarter	33,257
Second quarter	33,782
Third quarter	36,601
Fourth quarter	<u>35,289</u>
Total mileage	<u>138,929</u>

City of Greenville
Dial-A-Ride Fund
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2006

Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program Award Amount	Expenditures
Federal				
<u>U.S. Department of Transportation</u>				
Passed through MDOT				
Operating-Assistance - Section 5311	20.509			
FY 04-05		02-0042/Z7	\$ 4,327	\$ 4,327
FY 05/06		02-0042/Z10	29,088	29,088
Total Federal Awards			<u>33,415</u>	<u>33,415</u>
State				
<u>Michigan Department of Transportation</u>				
Operating Assistance - Act 51	N/A			
FY 01/02		N/A	1,398	1,398
FY 02/03		N/A	798	798
FY 04/05		N/A	18,293	18,293
FY 01-04		N/A	24,162	24,162
FY 05/06		N/A	147,751	147,751
Capital Grant		02-0042	1,882	1,882
Capital Grant		02-0042/Z7	18,921	18,921
Capital Grant		02-0042/Z4	4,858	4,858
Total State Awards			<u>218,063</u>	<u>218,063</u>
Total Federal and State Awards			<u>\$ 251,478</u>	<u>\$ 251,478</u>

City of Greenville
Other Supplemental Information
Combining Balance Sheet
Internal Service Funds
June 30, 2006

	Motor	Health, Life, Dental and Vision Insurance	Unemployment	Weekly Indemnity	Retiree Health Benefits	Accrued Sick and Vacation Liability	Total Internal Service Funds
Assets							
Current assets							
Cash and cash equivalents	\$ 267,941	\$ 262,294	\$ 124,642	\$ 17,017	\$ 74,839	\$ 349,666	\$ 1,096,399
Investments	-	-	-	-	188,744	187,294	376,038
Receivables							
Customers	-	3,829	-	-	-	-	3,829
Accrued interest and other	-	-	-	-	400	3,822	4,222
Total current assets	<u>267,941</u>	<u>266,123</u>	<u>124,642</u>	<u>17,017</u>	<u>263,983</u>	<u>540,782</u>	<u>1,480,488</u>
Noncurrent assets							
Capital assets, net	<u>346,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>346,649</u>
Total assets	<u>614,590</u>	<u>266,123</u>	<u>124,642</u>	<u>17,017</u>	<u>263,983</u>	<u>540,782</u>	<u>1,827,137</u>
Liabilities							
Current liabilities							
Accounts payable	4,938	63,009	5,154	-	-	-	73,101
Accrued and other liabilities	<u>1,701</u>	<u>21</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,722</u>
Total current liabilities	<u>6,639</u>	<u>63,030</u>	<u>5,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,823</u>
Noncurrent liabilities							
Compensated absences payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>527,586</u>	<u>527,586</u>
Total liabilities	<u>6,639</u>	<u>63,030</u>	<u>5,154</u>	<u>-</u>	<u>-</u>	<u>527,586</u>	<u>602,409</u>
Net Assets							
Invested in capital assets, net of related debt	346,649	-	-	-	-	-	346,649
Unrestricted	<u>261,302</u>	<u>203,093</u>	<u>119,488</u>	<u>17,017</u>	<u>263,983</u>	<u>13,196</u>	<u>878,079</u>
Total net assets	<u>\$ 607,951</u>	<u>\$ 203,093</u>	<u>\$ 119,488</u>	<u>\$ 17,017</u>	<u>\$ 263,983</u>	<u>\$ 13,196</u>	<u>\$ 1,224,728</u>

City of Greenville
Other Supplemental Information
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
Year Ended June 30, 2006

	Motor	Health, Life, Dental and Vision Insurance	Unemployment	Weekly Indemnity	Retiree Health Benefits	Accrued Sick and Vacation Liability	Total Internal Service Funds
Operating revenue							
Rental income	\$ 363,804	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 363,804
Other revenue	414	97,813	-	-	-	-	98,227
Total operating revenue	<u>364,218</u>	<u>97,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>462,031</u>
Operating expenses							
Personnel services	61,748	777,897	5,154	-	-	41,953	886,752
Supplies	83,722	-	-	-	-	-	83,722
Utilities	23,492	-	-	-	-	-	23,492
Repairs and maintenance	103,446	-	-	-	-	-	103,446
Other expenses	835	-	-	-	-	-	835
Capital Outlay	2,551	-	-	-	-	-	2,551
Depreciation	76,151	-	-	-	-	-	76,151
Total operating expenses	<u>351,945</u>	<u>777,897</u>	<u>5,154</u>	<u>-</u>	<u>-</u>	<u>41,953</u>	<u>1,176,949</u>
Operating income (loss)	<u>12,273</u>	<u>(680,084)</u>	<u>(5,154)</u>	<u>-</u>	<u>-</u>	<u>(41,953)</u>	<u>(714,918)</u>
Nonoperating revenue (expenses)							
Interest income	6,418	12,029	1,303	597	7,831	3,207	31,385
Loss on investments	-	-	-	-	(8,242)	-	(8,242)
Total nonoperating revenues (expenses)	<u>6,418</u>	<u>12,029</u>	<u>1,303</u>	<u>597</u>	<u>(411)</u>	<u>3,207</u>	<u>23,143</u>
Income (loss) before contributions and transfers out	18,691	(668,055)	(3,851)	597	(411)	(38,746)	(691,775)
Transfers in	56,000	781,504	-	-	-	44,628	882,132
Transfers out	<u>(125,177)</u>	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(165,177)</u>
Change in net assets	(50,486)	73,449	(3,851)	597	(411)	5,882	25,180
Net assets - beginning of year	<u>658,437</u>	<u>129,644</u>	<u>123,339</u>	<u>16,420</u>	<u>264,394</u>	<u>7,314</u>	<u>1,199,548</u>
Net assets - end of year	<u>\$ 607,951</u>	<u>\$ 203,093</u>	<u>\$ 119,488</u>	<u>\$ 17,017</u>	<u>\$ 263,983</u>	<u>\$ 13,196</u>	<u>\$ 1,224,728</u>

City of Greenville
Other Supplemental Information
Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2006

	Motor	Health, Life, Dental and Vision Insurance	Unemployment	Weekly Indemnity	Retiree Health Benefits	Accrued Sick and Vacation Liability	Total Internal Service Funds
Cash flows from operating activities							
Receipts from customers	\$ 363,804	\$ 156,741	\$ -	\$ -	\$ -	\$ (208)	\$ 520,337
Payments to suppliers	(220,329)	-	-	-	-	41,955	(178,374)
Payments to employees	(61,748)	(777,897)	(5,154)	-	-	(41,953)	(886,752)
Net cash provided (used) by operating activities	81,727	(621,156)	(5,154)	-	-	(206)	(544,789)
Cash flows from noncapital financing activities							
Transfer from other funds	56,000	781,504	-	-	-	44,628	882,132
Transfers to other funds	(125,177)	(40,000)	-	-	-	-	(165,177)
Net cash provided (used) by noncapital financing activities	(69,177)	741,504	-	-	-	44,628	716,955
Cash flows from capital and related financing activities							
Purchases/construction of capital assets	(59,144)	-	-	-	-	-	(59,144)
Cash flows from investing activities							
Proceeds from sales and maturities of investments	-	-	-	-	-	13,740	13,740
Interest received	6,418	12,029	1,303	597	7,831	3,207	31,385
Net cash provided by investing activities	6,418	12,029	1,303	597	7,831	16,947	45,125
Net increase (decrease) in cash and cash equivalents	(40,176)	132,377	(3,851)	597	7,831	61,369	158,147
Cash and cash equivalents - beginning of year	308,117	129,917	128,493	16,420	67,008	288,297	938,252
Cash and cash equivalents - end of year	\$ 267,941	\$ 262,294	\$ 124,642	\$ 17,017	\$ 74,839	\$ 349,666	\$ 1,096,399

City of Greenville
Other Supplemental Information
Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2006

	Motor	Health, Life, Dental and Vision Insurance	Unemployment	Weekly Indemnity	Retiree Health Benefits	Accrued Sick and Vacation Liability	Total Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities							
Operating income (loss)	\$ 12,273	\$ (680,084)	\$ (5,154)	\$ -	\$ -	\$ (41,953)	\$ (714,918)
Adjustments to reconcile operating income to net cash from operating activities							
Depreciation and amortization expense	76,151	-	-	-	-	-	76,151
Changes in assets and liabilities							
Receivables (net)	-	784	-	-	-	(208)	576
Accounts payable	(6,931)	58,123	-	-	-	-	51,192
Accrued and other liabilities	234	21	-	-	-	41,955	42,210
Net cash provided (used) by operating activities	<u>\$ 81,727</u>	<u>\$ (621,156)</u>	<u>\$ (5,154)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (206)</u>	<u>\$ (544,789)</u>

City of Greenville
Other Supplemental Information
Component Unit - Downtown Development Authority
Reconciliation of the Balance Sheet to
The Statement of Net Assets
June 30, 2006

Total fund balances for Downtown Development Authority funds	\$ 204,459
Total net assets for Downtown Development Authority activities in the statement of net assets is different because:	
Capital assets used in Downtown Development activities are not financial resources and therefore are not reported in the funds.	6,081,302
Certain liabilities are not due and payable in the current period and are not reported in the funds. Accrued interest	(52,136)
Long-term liabilities applicable to Downtown Development Authority activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(4,571,004)</u>
Net assets of Downtown Development Authority activities	<u><u>\$ 1,662,621</u></u>

City of Greenville
Other Supplemental Information
Component Unit - Downtown Development Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2006

Revenues

Taxes	\$ 464,584
Interest income	384
Other revenue	252
Issuance of debt	<u>150,000</u>
 Total revenues	 <u>615,220</u>

Expenditures

Current	
Community and economic development	43,173
Capital outlay	192,044
Debt service	
Principal retirement	123,996
Interest and fiscal charges	<u>216,445</u>
 Total expenditures	 <u>575,658</u>
 Excess of revenues over expenditures	 39,562
 Fund balance - beginning of year	 <u>164,897</u>
 Fund balance - end of year	 <u>\$ 204,459</u>

City of Greenville
Component Unit - Downtown Development Authority
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Component Unit Funds to the Statement of Activities
For the Year Ended June 30, 2006

Net change in fund balances - Total Downtown Development funds	\$ 39,562
---	------------------

Total change in net assets reported for Downtown Development activities in the statement of activities is different because:

Downtown Development funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(157,031)
Capital outlay	192,044

Expenses are recorded when incurred in the statement of activities

Accrued interest	1,350
------------------	-------

Bond proceeds are reported as financing sources in Downtown Development funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not repayment of principal is an expenditure in the Downtown Development funds but reduces the liability in the statement of net assets.

Debt issued	(150,000)
Repayments of long-term debt	123,996

Change in net assets of Downtown Development activities	<u>\$ 49,921</u>
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City of Greenville
Other Supplemental Information
Component Unit - Tax Increment Finance Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2006

Revenues

Taxes	\$ 164,031
Interest income	<u>2,065</u>
Total revenues	<u>166,096</u>

Expenditures

Current	
Other functions	<u>164,001</u>
Excess of revenues over expenditures	2,095
Fund balance - beginning of year	<u>36,845</u>
Fund balance - end of year	<u>\$ 38,940</u>

City of Greenville
Other Supplemental Information
Component Unit - Local Development Finance Authority
Reconciliation of the Balance Sheet to
The Statement of Net Assets
June 30, 2006

Total fund balances for Local Development Finance Authority funds	\$ 160,344
Total net assets for Local Development Finance Authority activities in the statement of net assets is different because:	
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(20,596)
Long-term liabilities applicable to Local Development Finance Authority activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
	<u>(1,200,686)</u>
Net assets of Local Development Finance Authority activities	<u><u>\$ (1,060,938)</u></u>

City of Greenville
Other Supplemental Information
Component Unit - Local Development Finance Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2006

Revenues

Taxes	\$ 212,240
Interest income	<u>1,474</u>
Total revenues	<u>213,714</u>

Expenditures

Debt service	
Principal retirement	104,882
Interest and fiscal charges	<u>42,433</u>
Total expenditures	<u>147,315</u>
Excess of revenues over expenditures	66,399
Fund balance - beginning of year	<u>93,945</u>
Fund balance - end of year	<u>\$ 160,344</u>

City of Greenville
Component Unit - Local Development Finance Authority
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2006

Net change in fund balances - Total Local Development Finance Authority funds	\$ 66,399
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Total change in net assets reported for Local Development Finance Authority activities in the statement of activities is different because:

Expenses are recorded when incurred in the statement of activities

Accrued interest	(17,193)
------------------	----------

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not reduce the liability in the statement of net assets. Repayment of principal is reported as an expenditure, but the repayment reduces the liability in the statement of net assets.

Repayments of long-term debt	<u>104,882</u>
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Change in net assets of Local Development Authority activities	<u>\$ 154,088</u>
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City of Greenville
Other Supplemental Information
Schedule of Indebtedness
June 30, 2006

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Total
Governmental Activities					
Bonds payable					
2000 Government obligation bonds	5.05 - 5.15%	9/1/09	\$30,000 - \$35,000	\$ 9,982	\$ 120,000
Special assessment obligations					
2000 Special assessment bonds	5.00 - 5.15%	9/1/09	\$45,000 - \$60,000	22,103	205,000
Contracts payable					
1998 Michigan Aeronautics	4.70%	12/22/08	\$11,119 - \$12,195	3,336	34,845
IPA Chase Equipment Leasing Inc. - Fire truck	4.46%	6/28/16	\$1,713 - \$392,664	236,329	648,500
IPA Chase Equipment Leasing Inc. - Land	4.15%	4/7/16	\$27,528 - \$377,609	296,175	1,010,824
Compensated absences				-	527,586
Total governmental activities				<u>\$ 567,925</u>	<u>\$ 2,546,755</u>
Business-type Activities					
Bonds payable					
Revenue bonds					
1993 Wastewater treatment bonds	6.10%	5/1/08	\$60,000	\$ 10,980	\$ 120,000
1995 Wastewater treatment bonds	5.20 - 6.00%	4/1/15	\$20,000 - \$30,000	67,132	215,000
1997 Wastewater treatment bonds	5.00 - 5.25%	7/1/12	\$45,000 - \$55,000	55,605	295,000
Total business-type activities				<u>\$ 133,717</u>	<u>\$ 630,000</u>

City of Greenville
Other Supplemental Information
Schedule of Indebtedness
June 30, 2006

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Total
Component Units					
General obligation bonds					
1994 Tax Increment					
Development bonds	6.25 - 6.35%	5/1/09	\$75,000 - \$95,000	\$ 33,494	\$ 255,000
Loan payable	4.14%	7/11/06	\$945,686	19,546	945,686
Downtown Development Authority					
IPA Commercial Bank Greenville	3.00%	9/29/20	\$4,056 - \$6,153	35,126	146,004
2002 General obligation bonds	4.50 - 4.75%	4/1/22	\$160,000 - \$395,000	<u>2,003,624</u>	<u>4,425,000</u>
Total component units				<u>\$ 2,091,790</u>	<u>\$ 5,771,690</u>

CITY OF GREENVILLE

Greenville , Michigan

Single Audit Report

June 30, 2006

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Report on Schedule of Federal Awards

City Council
City of Greenville
Greenville , Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Greenville for the year ended June 30, 2006, and have issued our report thereon dated November 10, 2006. These financial statements are the responsibility of City of Greenville's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming opinions on the basic financial statements of the City of Greenville taken as a whole. The accompanying Schedule of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Alma, Michigan
November 10, 2006

City of Greenville
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Commerce Public Works Development Facilities	11.300	\$ 541,292
U.S. Department of Housing and Urban Development Passed through State of Michigan Community Development Block Grant	14.228	1,307,246
U.S. Department of Transportation Passed through MDOT Edgewood Street Reconstruction Project	20.205	155,360
U.S. Department of Transportation Highway Planning and Improvement Construction	20.509	33,415
U.S. Department of Homeland Security Assistance to Firefighters Grant	97.044	<u>74,886</u>
Total expenditures of Federal Awards		<u>\$ 2,112,199</u>

City of Greenville
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2006

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. The following is a reconciliation between the financial statements and schedule of expenditures of federal awards.

Federal revenue per financial statements	\$ 1,148,756
Deferred revenue on financial statements	707,949
CDBG grant expended in prior year but not shown on the single audit in the prior year.	<u>255,494</u>
Total expenditures of federal awards	<u>\$ 2,112,199</u>

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on
an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

City Council
City of Greenville
Greenville, Michigan

We have audited the basic financial statements of the City of Greenville as of and for the year ended June 30, 2006, and have issued our report thereon dated November 10, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Greenville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Greenville's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 06-1 and 06-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily include all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are to be considered material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Greenville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Greenville in a separate letter dated November 10, 2006.

This report is intended solely for the information and use of the City Council, management, federal award agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Alma, Michigan
November 10, 2006



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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

City Council
City of Greenville
Greenville , Michigan

Compliance

We have audited the compliance of the City of Greenville with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The City of Greenville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Greenville's management. Our responsibility is to express an opinion on the City of Greenville's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Greenville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Greenville's compliance with those requirements.

In our opinion, the City of Greenville complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 06-3.

Internal Control over Compliance

The management of the City of Greenville is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Greenville's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Alma, Michigan
November 10, 2006

City of Greenville
Schedule of Findings and Questioned Costs
June 30, 2006

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ yes ☐ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☒ yes ☐ no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.228

Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

City of Greenville
Schedule of Findings and Questioned Costs
June 30, 2006
(continued)

SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS

06-1 Finding Type – Reportable Condition

Specific requirement: Since time cards are the source document supporting the City's labor expenses employees time cards need to contain documentation of approval by supervisors or managers

Condition : Proper approval of timecards.

Questioned costs: None

Context: Timecards are not always being approved by supervisors or department heads.

Cause/Effect: Review of timecards is not occurring on a routine basis by supervisors or department heads. The effect is labor costs could be overstated.

Recommendation: We recommend that employees submit their time cards to their supervisor or manager for approval and that the payroll clerk verifies the approval. The approval by the supervisor or manager would determine that the employees have recorded time only when it had actually been worked as the supervisors or managers are generally knowledgeable about their employees' attendance, hours, and work assignments

06-2 Finding Type – Reportable Condition

Specific requirement: In order to maintain adequate internal control, bank reconciliations need to be prepared timely.

Condition : Bank reconciliations were not prepared timely.

Questioned costs: None

Context: Bank reconciliations were prepared though June 30, 2006 but several months had passed after year end before they were completed.

Cause/Effect: The work load of the accounting staff did not allow for enough time to perform timely bank reconciliations.

Recommendation: We recommend bank reconciliations be prepared on a monthly basis and be reviewed by the City Manager for completeness and timeliness.

City of Greenville
Schedule of Findings and Questioned Costs
June 30, 2006
(continued)

SECTION III - FEDERAL AWARD FINDINGS

06-3 Preparation of the Schedule of Expenditures of Federal Awards

Specific requirement: The preparation of the Schedule of Expenditures of Federal Awards is the responsibility of management.

Condition : Management was not aware of which grants were federally funded.

Questioned costs: None

Context: The preparation of the Schedule of Expenditures of Federal Awards took several hours to complete as management was not aware of what grants were federally funded. Several calls were made to agencies to determine what portion was federal.

Cause/Effect: This lack of awareness caused \$255,494 in expenditures from the CDBG grant, CFDA 14.228, to be omitted from the 2005 Schedule of Expenditures of Federal Awards. Although this was omitted from the schedule it had no effect on the major program determination or coverage determination in the prior year.

Recommendation: We recommend management identify those grants that are federally funded and track them through out the year. This will make the preparation of the Schedule of Expenditures of Federal Awards more accurate and prevent future omissions .

City of Greenville
Summary Schedule of Prior Audit Findings
June 30, 2006

SECTION IV – PRIOR AUDIT FINDINGS

05-1 Reportable condition –Timecards were not always being approved by supervisors or department heads. This is still a reportable condition in the current year as noted as finding 06-1 in Section III.



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November 10, 2006

To the City Council
City of Greenville
411 S. Lafayette St.
Greenville, Michigan 48838

In planning and performing our audit of the financial statements of the City of Greenville for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal controls. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the City of Greenville's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable conditions that we believe to be material weaknesses.

MATERIAL WEAKNESS

CASH MANAGEMENT (PRIOR YEAR)

Our audit procedures included testing the payroll system controls. Our tests indicated that employees' time cards do not always contain documentation of approval by supervisors or managers. Since the time cards are the source document supporting the City's labor expenses, we recommend that the employees submit their time cards to their supervisor or manager for approval and that the payroll clerk verifies the approval. The approval by the supervisor or manager would determine that the employees have recorded time only when it had actually been worked as the supervisors or managers are generally knowledgeable about their employees' attendance, hours, and work assignments.

BANK RECONCILIATIONS

In order to maintain adequate internal control, bank reconciliations need to be prepared timely. Bank reconciliations were prepared through June 30, 2006, but several months had passed after year end before they were completed. We recommend bank reconciliations be prepared on a monthly basis and be reviewed by the City Manager for completeness and timeliness.

OTHER COMMENTS AND RECOMMENDATIONS

CREDIT CARDS

During our audit, we noted one instance where a receipt to support a credit card charge was not attached to the credit card bill, but had a note attached stating that the receipt was misplaced. We also noted that the credit card policy states that "all credit card invoices shall be approved by the City Manager before being forwarded to the Clerk/Treasurer for payment." We noted that the department heads were approving the detail for charges on the credit card invoices. We recommend that the City of Greenville either amend their credit card policy to allow the department heads to approve invoices, or the City Manager will need to start approving the invoices prior to payment.

FINANCIAL STATEMENT PREPARATION

The preparation of the Schedule of Expenditures of Federal Awards is the responsibility of management. The preparation of the Schedule of Expenditures of Federal Awards took several hours to complete as management was not aware of what grants were federally funded. Several calls were made to agencies to determine what portion was federal. This lack of awareness caused \$255,494 in expenditures from the CDBG grant, CDFA 14.228, to be omitted from the 2005 Schedule of Expenditures of Federal Awards. Although this was omitted from the schedule it had no effect on the major program determination or coverage determination in the prior year.

We recommend that management identify those grants that are federally funded and track them through the year. This will make the preparation of the Schedule of Expenditures of Federal Awards more accurate and prevent future omissions.

This report is intended solely for the information and use of the City Council, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Yeo & Yeo, P.C.

YEO & YEO, P.C.
CPAs and Business Consultants